

# **KGS ADVISORS LLP**

**Integrity First**

**MSMEs With Special Reference to Covid-19  
Relief Measures announced by the Govt**

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# MSME (MICRO, SMALL & MEDIUM ENTERPRISES)

## Some Important Statistics about **MSME**

- Sector Employs more than 110 Million Manpower, Target to add another 50 Million by 2024
- 30% Contribution in India's GDP, Target to achieve 50% by 2024
- 45% contribution in Manufacturing of the Country
- 27% share (Rs. 17.75 Trillion) in Bank's credit to MSME Sector

# ► Challenges faced by MSMEs !



- Lack of formal data / financial information, a Must for the Banks to lend;



- ❖ A big challenge to revive working capital cycle without losing much of time and energy



- ❖ Cash Inflows dried up, Production Loss, Increased cost of Employment and Manufacturing costs



- ❖ Impending Default to Lenders for Loan and Interest Payment causing Credit Risk down gradation



- ❖ Proactive Steps by Govt of India/ RBI announcing Various Relief Measures to the sector



- ❖ Eligibility under various schemes and sourcing from banks, Security/ Collateral etc



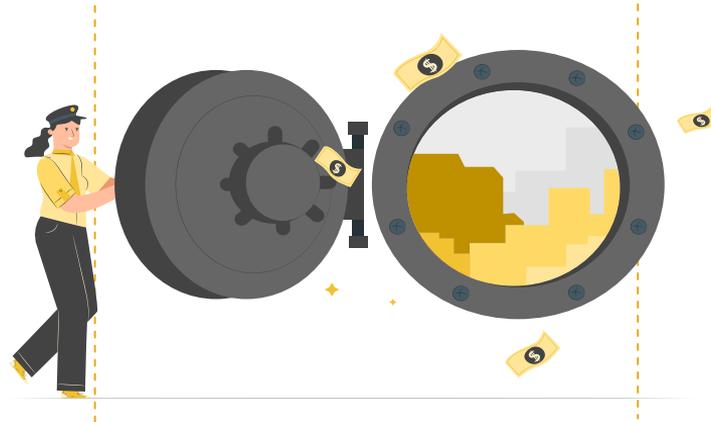
- ❖ Headwinds due to Demonetization and GST Implementation, lead to increased Liquidity crisis



- ❖ COVID 19 caused havoc to the sector owing to complete shut down of business and its visibility.



- ❖ Continuous Lockdown coupled with the uncertainty further accentuated the problems of the sector



- ❖ Problems compounded due to blockage of working capital stuck with other Large Businesses



- ❖ Issues of Raw Material sourcing, Labor Availability, Product Marketing & Technical Support

## ▶ Other Challenges faced by **MSMEs** !

### **WARY OF FRESH LOANS**

EVEN IF THEY ARE BACKED BY GOVERNMENT GUARANTEE DUE TO UNCERTAINTY

### **MSME BORROWERS**

WHO DID NOT RAISE ANY LOANS THROUGH BANKS AND NOW NEED FUNDING SUPPORT

### **UNAVAILABILITY OF MANPOWER**

WHO HAVE MIGRATED TO THEIR HOME DUE TO SPREAD OF COVID

### **EXPECTATION OF WAIVING OF BILLS**

EXPECTS DIRECT RELIEF IN WAIVING OF BILLS & RENTS

### **JOB LOSSES**

AS COMPANIES ARE CASH STRAPPED FOR ALMOST 3 MONTHS NOW

### **MORAL OBLIGATIONS FOR WAGES/SALARIES**

PAYMENT FOR CLOSURE PERIOD EVEN WITHOUT ANY CASH INFLOWS

# Rs 3 Lakh Crore Emergency Credit Line Guarantee Scheme (ECLGC) - Automatic Loans for MSME



Need additional funding to meet operational liabilities built up, buy raw material and restart business



To eligible MSME & borrowers covered Pradhan Mantri Mudra Yojana (PMMY)



All NBFCs which have been in operation for 2 years as on 29th February, 2020 would be eligible



Availability of Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs



First- Come - First Served till 31<sup>st</sup> October, 2020 and up to the overall Limit of Rs. 3 lakhs Crore is exhausted



In case accounts for FY 2019-20 not audited/finalized, borrower's declaration of turnover is sufficient



The Scheme is valid for existing customers on the books of the Lenders.

## ▶ Rs 3 Lakh Crore ECLGC - Automatic Loans for MSME

- ❖ Eligibility: All MSME borrowers accounts upto Rs 25 Cr as on 29<sup>th</sup> February 2020(Cut off date), which were Standard SMA – 0 & SMA – 1 accounts and with annual Turn Overs of rs 100 Crore for FY 2019 - 2020
- ❖ SMA-2 Accounts and downgraded Borrowers can also avail after clearing off their dues and bring in SMA-0 or SMA-1 Category, The Additional Loan amount to be capped up to 20% of O/S credit up to Rs 25 cr on cut off date
- ❖ Facility in the form of additional WCTL (in case of Banks & FIs) or additional TL in case of NBFCs.
- ❖ Repayment of Additional Loan to have 4 year tenor with moratorium of 12 months on Principal repayment
- ❖ Interest to be capped up to 9.25% from banks and 14% from NBFC
- ❖ 100% credit guarantee cover to Banks and NBFCs on principal and interest
- ❖ Scheme can be availed till 31st Oct 2020
- ❖ No guarantee fee, No Processing Fee, No fresh collateral, No Insurance
- ❖ Some banks are contemplating for reduction in Margins on Stock, Debtors, Inventories for facilitating the loan
- ❖ 45 lakh units can resume business activity and safeguard jobs
- ❖ Loans provided in individual capacity are not covered under the Scheme.
- ❖ Very Simple and Easy Documentation

## Case Study for **Eligibility for Loans (Rs in Cr. )**

Name of the Borrower	Overall OS	Overall OS	DPD on Days	To Financials	
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

## Case Study for **Amount of Loans (Rs in Cr. )**

Name of the Borrower	Overall OS with MLIs C=20% A	Overall OS with ML D= 20%B	Total Max. L Amt.	Total Max L. Amt without NOC for MLI
Borrower A	20	15	4	3
Borrower B	5	2	1	0.4
Borrower C	25	25	5	5
Borrower D	15	10	3	2

# MEASURES ANNOUNCED BY RBI ON 22<sup>ND</sup> MAY 2020



BANK REPO RATE  
REDUCED FROM  
4.65% TO 4.25% WHICH  
WILL LEAD TO LIQUIDITY IN  
BANKS



REVERSE REPO-RATE  
REDUCED FROM 3.75% TO  
3.35% BANK WILL TEMPT  
TO LEND MORE INTO  
BUSINESS

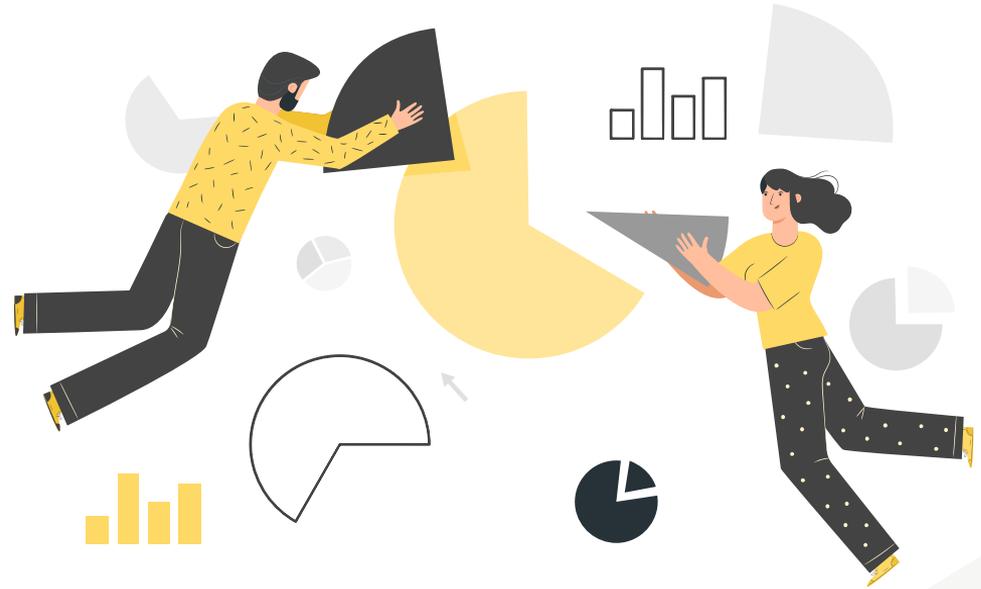


SPECIAL REFINANCE FACILITY  
ANNOUNCEMENT OF SPECIAL  
REFINANCE FACILITY OF 15,000  
CRORE TO SIDBI AT REPO RATE FOR  
PERIOD OF 90 DAYS

## ► **Measures announced** by SEBI

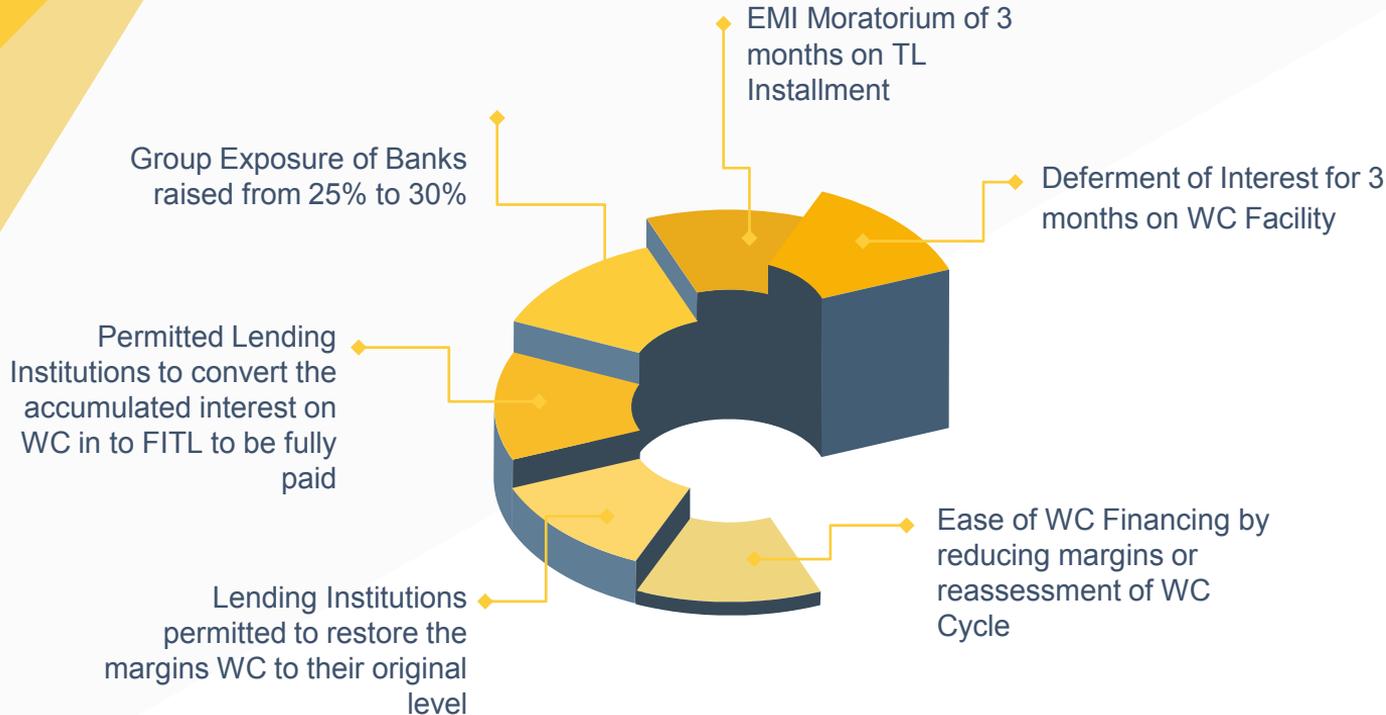
### **Measure Announced by SEBI**

SEBI eases post default 90 days curing period: Rating agencies may deviate from period of 90 days on a case to case basis, subject to the rating agencies framing a detailed policy in this regard. Reducing the chances of Down gradation of Credit Rating due to Cos. facing temporary cash flow crunch due to COVID



# Relief Measures extended by **3 months**

1<sup>st</sup> JUNE TO 31<sup>ST</sup> AUGUST 2020



- ❖ A 59 Minute Loan Funding Scheme for MSME by PSU banks
- ❖ Extension of line of credit of Rs.15000 crore to **Exim bank**
- ❖ Roll over of the ₹15,000-crore special refinance facility to SIDBI
- ❖ Extn. of time for payment of normal imports from 6 month to 12 months.
- ❖ **Export Credit:** Increase in maximum permissible period of Realization of Exports

# Rs 20,000 crore Subordinate Debt for

## ▶ Stressed MSMEs ...

Stressed MSMEs need equity support & promoters of the MSME will be given subordinate debt by banks.

GOI will facilitate provision of Rs. 20,000 cr as subordinate debt

Money will flow in business as equity/Subordinate debt to help capital leveraging



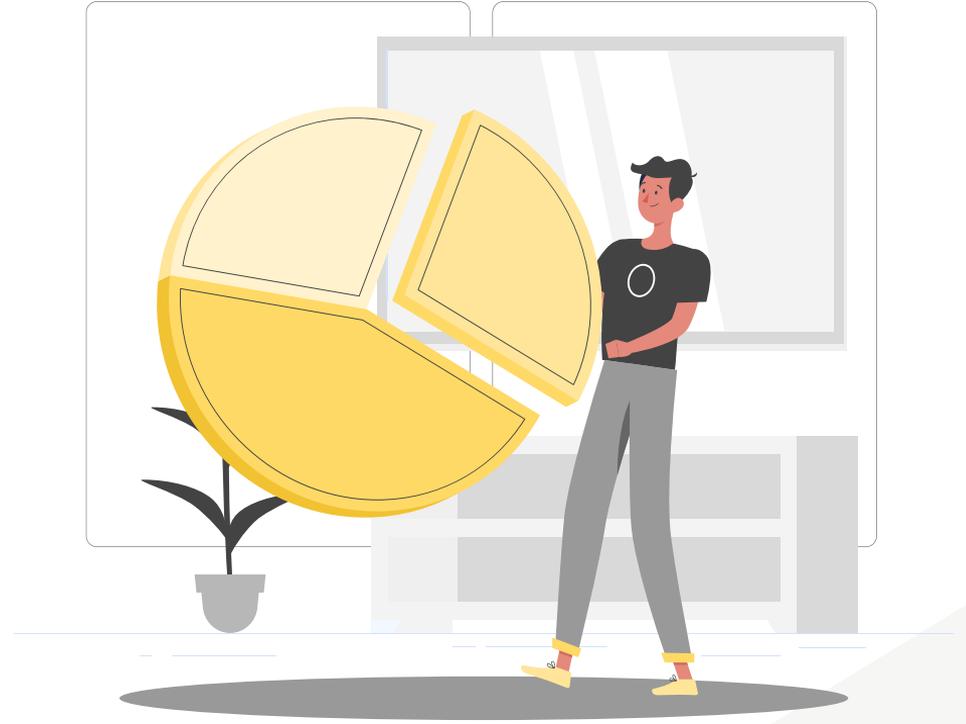
Two Lakh MSMEs are likely to benefit

Functioning MSMEs which are NPA or are stressed will be eligible

Govt. To provide support of 4,000 cr to CGFT for MSMEs to provide Credit Guarantee support to banks

## GLOBAL TENDERS TO BE DISCONTINUED UPTO RS 200 CRORES

Indian MSMEs and other companies have often faced unfair competition from foreign companies. Now, Global tenders will be discontinued in Government procurement tenders upto Rs 200 crores. Necessary amendments of General Financial Rules will be effected. This will be a step towards Self-Reliant India (आत्मनिर्भर र्ारत) and support **Make in India**. This will also help MSMEs to increase their business.



## **RS 50,000 CR. EQUITY INFUSION FOR MSMES THROUGH FUND OF FUNDS (FOF)**

MSMEs face severe shortage of Equity. • Fund of Funds with Corpus of Rs 10,000 crores set up. • It Will provide equity funding for MSMEs with growth potential and viability. • FoF will be operated through a Mother Fund and few daughter funds • Fund structure will help leverage Rs 50,000 cr of funds at daughter funds level • Will help to expand MSME size as well as capacity. • Will encourage MSMEs to get listed on main board of Stock exchanges.



## Other Interventions for MSME



MSME CURRENTLY FACE PROBLEMS OF MARKETING AND LIQUIDITY DUE TO COVID - 19.



E-MARKET LINKAGE FOR MSME TO BE PROMOTED TO ACT AS A REPLACEMENT FOR TRADE FAIRS AND EXHIBITIONS.



FINTECH WILL BE USED TO EXCHANGE TRANSACTION BASED LENDING USING THE DATA GENERATED BY THE E-MARKETPLACE.



GOVERNMENT HAS BEEN CONTINUOUSLY MONITORING SETTLEMENT OF DUES TO MSME VENDORS FROM GOVERNMENT AND CENTRAL (PSUs) • MSME RECEIVABLES FROM GOV AND CPSES TO BE RELEASED IN 45 DAYS.

## ▶ Measures to Improve Liquidity to Ease **FINANCIAL STRESS!**



Businesses continue to face financial stress as they get back to work.



Under PMGKP, payment of 12% each of Employer & Employee contributions made into EPF accounts of eligible establishments



enhances liquidity Support of Rs 6750 crores to 3.67 lakh establishments and for 72.22 lakh employees.



Relief to Employers in payment of Provident Fund dues, -Statutory PF contribution of both employer and employee



Scheme also applicable for workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension.



This translate into relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees



# Existing and Revised Definition of **MSME**

<b>Existing MSME Classification</b>			
<b>Criteria : Investment in Plant &amp; Machinery or Equipment</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Mfg. Enterprises</b>	<b>Investment &lt; Rs. 25 lac</b>	<b>Investment &lt; Rs. 5 cr.</b>	<b>Investment &lt; Rs. 10 cr.</b>
<b>Services Enterprise</b>	<b>Investment &lt; Rs. 10 lac</b>	<b>Investment &lt; Rs. 2 cr.</b>	<b>Investment &lt; Rs. 5 cr.</b>
<b>Revised MSME Classification</b>			
<b>Composite Criteria : Investment And Annual Turnover</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Manufacturing &amp; Services</b>	<b>Investment &lt; Rs. 1 cr. and Turnover &lt; Rs.5 cr.</b>	<b>Investment &lt; Rs. 10 cr. and Turnover &lt; Rs.50 cr.</b>	<b>Investment &lt; Rs. 50 Cr and Turnover &lt; Rs. 250 Cr.</b>

# ABOUT KGS



KGS is a consultancy firm with over 5 decades experience & provides one stop solution for domestic companies start up and foreign companies planning to establish presence in India.

The range of services are tailor made for the unique requirements of a start up or an entrepreneur within the wide array of accounting, auditing, Taxation, Legal, Business Advisory, Market Research , Human Resources Management and B2B handling services etc.

Our team has taken the initiative of handholding MSMEs clients whose business has suffered immensely due to COVID-19 by facilitating these clients to avail credit facilities from Banks/ FIs/ NBFCs under various schemes announced by GOI as relief package.

Our team of dedicated professionals have committed their experience and skills to provide high quality professional services to the clients with the commitment to the highest standards of ethics & integrity.

#WEareWithYOU

▶ Service offered by KGS to **MSMEs**

- ❖ Assessing business needs & organization needs due to impact of COVID-19
- ❖ Assessing financial impact and preparing a plan for financial stability and viability
- ❖ Suggesting Eligibility & benefits available under governments schemes
- ❖ Assisting in debt restructuring and raising funds, Easy Access to banking channel
- ❖ Review of commercial contracts for COVID - 19 impacts & suggesting mitigation
- ❖ Quick and Fast Solutions
- ❖ GST & Tax Related Easy Solutions
- ❖ Advising on Business Models, Product & Market research and Future handholding
- ❖ Suggesting and implementing cost control measures
- ❖ Managing post COVID- 19 rationalization of employee cost
- ❖ Participation in Govt. Procurement tenders, Assisting in Registration as MSME
- ❖ Statutory and other Legal Compliances

# Our TEAM

Tripti has been a significant contributor as the Chairwoman-PHDCCI- Women Entrepreneurship Committee, Member, NIESBUD- Ministry of Skill Development and Entrepreneur, Chairperson, NOS committee – Entrepreneurship and Co-Chairperson-Startup Committee, ASSOCHAM, with the purpose to leverage the tools & templates, knowledge, learning programs for SMEs/MSMEs to gear up for their exciting entrepreneurial journeys and have supported 100+ SMEs/MSMEs in a short span of time. She has always lived by her principle- 'Success knows no shortcuts' and advocates the same to the young Entrepreneurs on their journey. Her passion for success for SMEs and Women run business along with her coaching, empowers the Entrepreneurs with a strong eco-system integrated with Finance, Strategy, Governance, Market Validation and even Fund Raising Assistance.



**Ms. Tripti S. Shinghal**



**Mr. Vijay Gupta**

Vijay Kumar Gupta is a retired General Manager (credit) from IFCI and has over 35 years of experience in the banking and finance sector. For a major part of his career, Shri Gupta worked with State Bank of India and retired as Deputy General Manager has handled many critical assignments including heading Mid Corporate branch engaged in corporate lending. Noted for strong leadership assessing risk and applying results to the prioritization of audit projects & objectives; developing audit programs that tested the level of risk which could be addressed by redefining controls. Adaptable with commendable path of professional development and recognitions for managing corporate financing programs and maintaining the corporate credit policy with proven skills in credit regulations, communication and negotiation.

Akhilesh Maheshwari, CA, CS, SAP(FICO) & Insolvency Professional, with more than 33 years of multifarious experience in spearheading entire gamut of Business Operations including Fund Raising (Debt/ IPO/ Private Equity), P&L Management, Strategic Financial Planning & Analysis, Credit & Risk Management, Business Alliances, Forecasting, Process Improvements, Operation Excellence, Management Reporting, Accounts, Audit, Taxation, Company Secretarial & Legal Compliance and allied Activities. Arranged & managed Debt Funding of over 10000 Cr from Lending Institutions and banks. Handled and managed IPO process, Listing, Private Equity (PE) Funding. Successfully Implemented IND AS, GST across the business. Held Senior Positions of Director/ CFO/ VP positions in organisations of repute in Industries i.e. Chemicals, Starch, Iron & Steel, Thermal Power Projects, Sugars, Real Estate & Financial Institution. Handled Business Reorganisation by way of M&A, Demerger and Reverse Merger of Business and IPO Listing at Stock Exchanges



**Mr. Akhilesh Maheshwari**



**Mr. Parveen Ved**

Mr. Parveen Ved has More than 35 years of work experience as core banker in different capacities at distinct places of the country . Retired as Chief Manager from Punjab National Bank, Delhi. His banking experience includes working at various branches handling several key positions and also at administrative offices like Information and Technology Division & Inspection and Audit Division of the Bank



# Thank You!

**Any Queries, Contact Us**

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