

Government Grants – A Growth Incentive

PJS Advisors Private Limited





Growth



**SME
FOCUS**



- ✦ SMEs are backbone of National Economy in India. SMEs are playing big role in contributing Export and GDP

- ✦ SME segment has been a key engine of growth, employment wealth distribution and effective mobilization of resources both in capital and skill in India

- ✦ Statistically SME Segment Contributes 45% of Manufacturing Output and 40% of Export, 42 million in employment and create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. SME is not meant only manufacturing sector but it also include service sector

- ✦ At present SMEs takes prominent role in Social Sector as well and are known for bringing Business Models for growth and development of People

- ✦ Today major economic subsidies and platform are created by the Government with a special focus to promote development of SME sector



+ Subsidy – A Growth Incentive for India Inc.

Subsidies are incentives which play an important role in economic development of developing countries . Subsidies bring out desired changes by effecting optimal allocation of resources, stabilizing the price of essential goods & services, overcoming inflation and increasing cost, redistributing income in favour of poor people thus achieving the twin objective of growth & equity of nation.



✚ Various Government Economic Subsidies

➤ Subsidy Provided by Gujarat Government

- ✓ Capital Investment Linked Subsidy
- ✓ Capital Enhancement Assistance
- ✓ Technology Up-gradation & Acquisition Subsidy
- ✓ Other Subsidies

➤ Subsidy Provided by Central Government

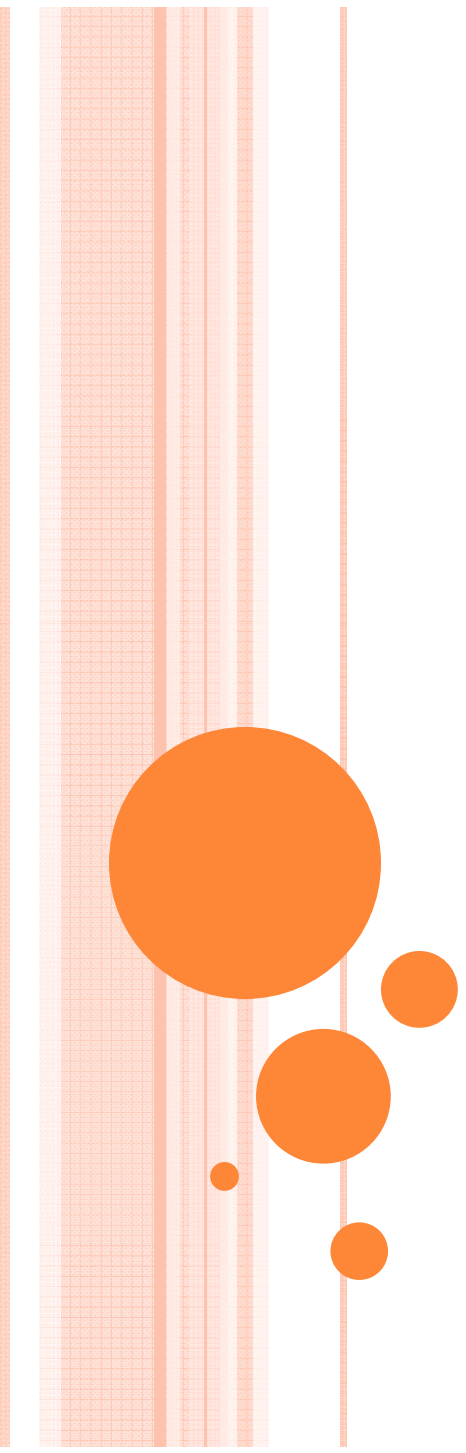
- ✓ Credit Linked Capital Subsidy Scheme (CLSS)
- ✓ Technology Up-gradation Scheme
- ✓ Other Incentives provided by central government

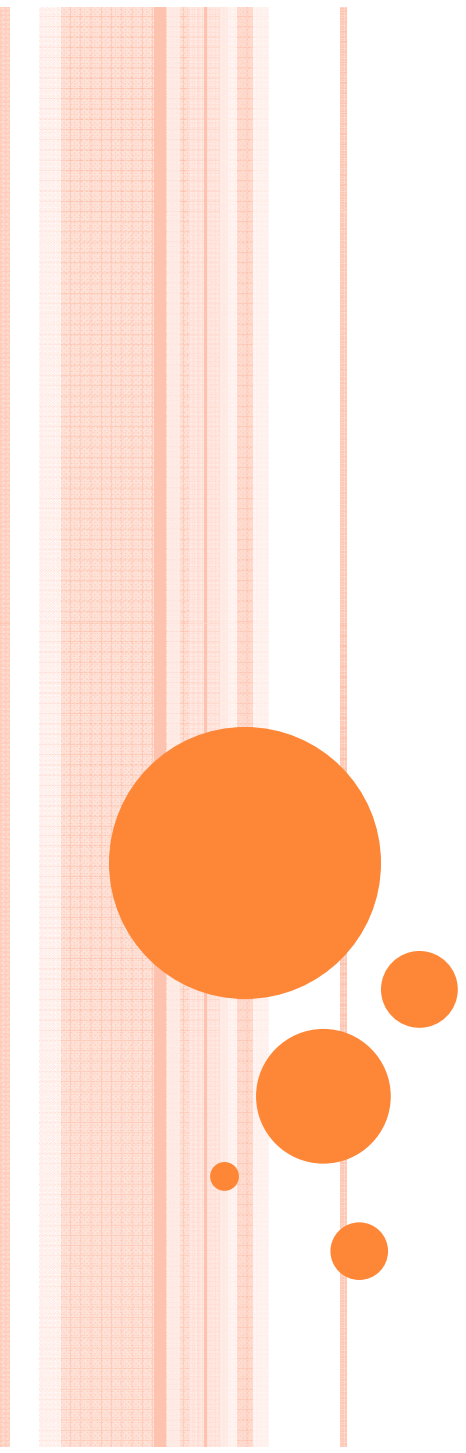


✚ Subsidy Provided by Gujarat Government

➤ Some Key Definition under Gujarat New Industrial Policy 2015

- **MSME:** An Enterprise, which satisfies the conditions of Micro, Small and Medium Enterprises as per the definition under the MSMED Act 2006 of the Government of India, as amended from time to time, and having acknowledgement of Entrepreneurs' Memorandum filed with respective District Industries Centre
- **New Enterprise:** New enterprise means MSME, which has filed Entrepreneurs Memorandum and commences commercial production during the operative period of the Scheme

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- **Existing Enterprise:** Existing enterprise means MSME which has commenced commercial production before the date of announcement of the scheme
 - **Expansion & Diversification:** Existing or New enterprises carrying out expansion/diversification with an investment of more than 50% of (out of which minimum 60% investment should be in plant and machinery) its existing **gross fixed capital investment** on the date of initiating expansion/diversification and commencing production of said expansion/diversification during the operative period of the scheme.
 - Only one expansion/diversification will be eligible for assistance during the operative period of the scheme



➤ **Mordernization:** Existing MSMEs carrying out modernization by way of adopting new technology/ production process and/or improving quality of products with an investment of more than 25% of its existing **gross fixed capital investment** in plant and machinery on the date of initiating modernization and commencing production of said modernization during operative period of the scheme shall be termed as modernization

➤ **MSME Service enterprise:** MSME service enterprise having an Investment in equipment **more than Rs. 5 lakh** will be eligible for Interest subsidy

➤ **Gross Fixed Capital Investment:** Gross fixed capital investment means the investment made in required building, plant and machinery and other related fixed assets required to manufacture end product



✦ Investment Linked Subsidy

➤ Capital Subsidy

Quantum of Subsidy:

➤ Capital Investment Subsidy @ **10% of Loan amount** disbursed by Bank/Financial Institute with maximum amount of Rs. 15 Lakhs in **Municipal Corporation Areas.**

➤ Capital Investment Subsidy @ **15% of Loan Amount** disbursed by Bank/Financial Institution with the maximum amount of Rs. 25 Lakhs in the areas **other than Municipal Corporation Area.**



➤ **Conditions for Capital Subsidy**

- Apply to concerned DIC within one year from date of disbursement of loan or on date of commencement of production **whichever is later**
- Enterprise who availed first disbursement of loan before 31/12/2014 are not eligible for this subsidy
- Enterprise whose **term loan is sanctioned after 1 year** from date of commencement of commercial production will not be eligible for this scheme
- Enterprise will have to **remain in production for 5 years** from date of commercial production failure of which will result in recovery of subsidy as arrears of land revenue

➤ **Interest Linked Subsidy**

Quantum of Subsidy:

- **Interest Subsidy @ 5%** with **maximum amount of Rs. 25 Lakhs** per annum for a **period of 5 years** in Municipal corporation area
- **Interest Subsidy @ 7%** with **maximum amount of Rs. 30 Lakhs** per annum for a **period of 5 years** in areas other than above
- **1% additional interest** subsidy to SC/ST, Physically challenged, women entrepreneur in Manufacturing and Service sector
- **1% additional interest subsidy** to young entrepreneur below age of 35 years on the date of sanction of loan
- Maximum rate of Interest subsidy to an enterprise will not be more than 9% & 7% where the rate of interest subsidy is 7% & 5% respectively



➤ **Conditions for Interest Linked Subsidy**

- Apply to concerned DIC within one year from date of disbursement of loan or on date of commencement of production **whichever is later**
- Enterprise shall opt for date of eligibility of Interest Subsidy either from date of first disbursement of loan or from date of commencement of commercial production.
- Reimbursement of Interest Subsidy will be made only after commencement of commercial production
- Enterprise whose **term loan is sanctioned after 1 year** from date of commencement of commercial production will not be eligible for this scheme
- If the enterprise becomes **defaulter in payment of interest or installment of term loan** to Bank/Financial institution as per guidelines of RBI, such default period will be deducted from the period of five years.



➤ **Conditions for Interest Linked Subsidy Continued**

- Interest subsidy will not available for penal interest or any other charges.
- Total quantum of interest subsidy (State + Central) in any case shall not exceed the total interest paid to Bank/ Financial institution
- Enterprise will have to remain in production for 5 years from the date of commercial production



➤ **Conditions Applicable to both Capital and Interest Subsidy**

- Loan sanctioned by **Non-Banking Financial Institutes** will not be eligible for any incentive under this scheme.
- Enterprise that has availed assistance under this scheme will not be entitled to avail benefit under any other scheme of State Government, unless and otherwise specified under that scheme
- Enterprise shall have to furnish information regarding production, sales, turnover, and employment etc. annually to concerned DIC before end of September
- Enterprise will have to employ **at least 85%** of the total employment and **60% of** supervisory and managerial staff from local persons

Capital Enhancement Assistance

Assistance for Raising Capital through SME Exchange

➤ To facilitate SME listing, SEBI has made significant amendments in the SEBI (Issue of Capital and Disclosures Requirements) by inserting Chapter XB for the issue of specified securities by small and medium enterprises

➤ To encourage MSME to opt for this route, assistance will be provided by Government

➤ **20% expenditure** incurred on raising of fund through SME **maximum upto Rs. 5 lakhs** one time after successful raising of equity as per approved scheme by SME during the operative period of the scheme

SME IPO



Technology Up-gradation and Acquisition Subsidy

Assistance for Technology Acquisition

- Assistance for acquisition of appropriate technology from recognized institution by Enterprise for its product/process during the operative period of the scheme will be provided **by way of 50%** of the cost payable subject to a **maximum of Rs. 50 lakh**, including royalty payment for first two year
- Enterprise shall have to obtain prior approval of Industries commissioner after signing MOU with Technology provider
- Industries Assistance will be available to set up a New Enterprise with new technology. Existing enterprise will also eligible for new product or for improvement of production process
- Assistance will not be eligible for purchase of any plant and machinery or equipment



✚ Other Subsidy

➤ Assistance for Quality Certification (Manufacturing Sector)

- 50% of the capital cost for installing the **Enterprise Resource Planning (ERP)** system of approved ERP service provider by Industries commisionerate, subject to a maximum amount of Rs. 50,000/-
- 50% of all charges including Consultancy fee upto a maximum amount of Rs. 50,000 paid for obtaining **ISO certification**
- 50% of all charges upto a maximum amount of Rs. 5 lakhs paid for obtaining of each certification for **ISI/WHO-GMP/Hallmark** certifications & other national/International certification approved by Quality Council of India.
- 50% of fee payable to **Recognized International Certification Authority** and 50% cost of testing equipment and machinery required for that certification, totaling upto maximum amount of Rs. 10 lakhs



➤ **Condition for availing Quality Certification Assistance**

- The cost for certificate will include:-Fees charged by certification agency(excluding travel, hotel & surveillance charges)
- Quality certification scheme will be supplementary to such scheme of Government of India. However, in no case total assistance from GOG and GOI should exceed more than actual expenditure incurred by Enterprise for said purpose
- The testing equipment purchased after the issuance of Quality certificate shall not be eligible for assistance
- Expenditure incurred for renewal of certificate shall not be eligible for assistance under the scheme



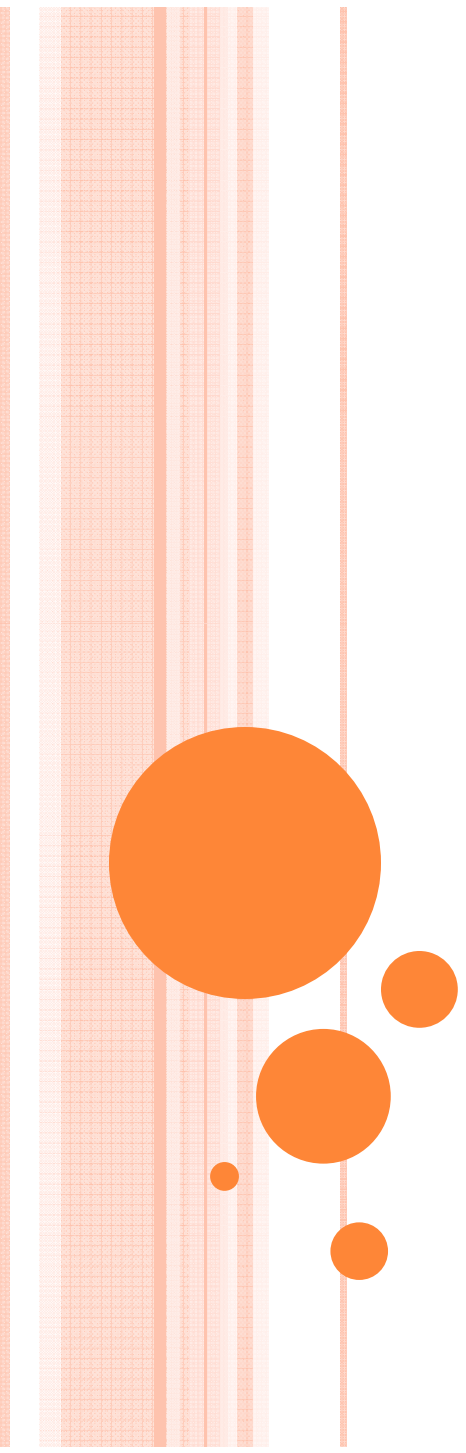
➤ Assistance for Patent Registration

- Individual/ any legal entity will be eligible for assistance under the scheme
- **75% of cost /expenditure** incurred subject to maximum **Rs.25 lakhs** for obtaining Patent registration of developed product
- Fees paid to patent attorney, patent service center, patent registration and patent equipment purchased to develop patent will be eligible as cost/expenditure (excluding travel, hotel charges) for obtaining patent registration
- Assistance will be disbursed after the publication/notification of the patent
- Application shall be submitted **within one year** from the date of publication/notification of the patent failure of which will make enterprise ineligible for the assistance



➤ **Reimbursement of CGTMSE fees:**

- Government of India has issued instructions to financial institutions to sanction Collateral free loans upto Rs.1 cr. by charging addition fee on such loans
- It has been decided to extend support to Women Entrepreneurs, SC/ST & physically challenged entrepreneurs under this scheme. Banks/Financial institutions are charging Service fees as under
Annual Service fees: 1st Year 1.5% maximum 2nd Year onwards 0.75%
- Assistance as **reimbursement @ 100%** annual Service fees paid to Bank/financial Institution by **Women entrepreneurs, SC/ST & physically challenged entrepreneurs** for availing of collateral free term loan under CGTMSE, for the period of 5 year under this scheme



Electricity Duty Exemption: Electricity duty exemption is available for **first 5 years** for any new industrial unit set up in Gujarat State

MSME Awards: Gujarat Government constitutes awards and prize money for MSME units for achieving excellence through Growth in production and profit, Quality improvement measures, Environment improvement measures and Innovation and new product/process/technology development

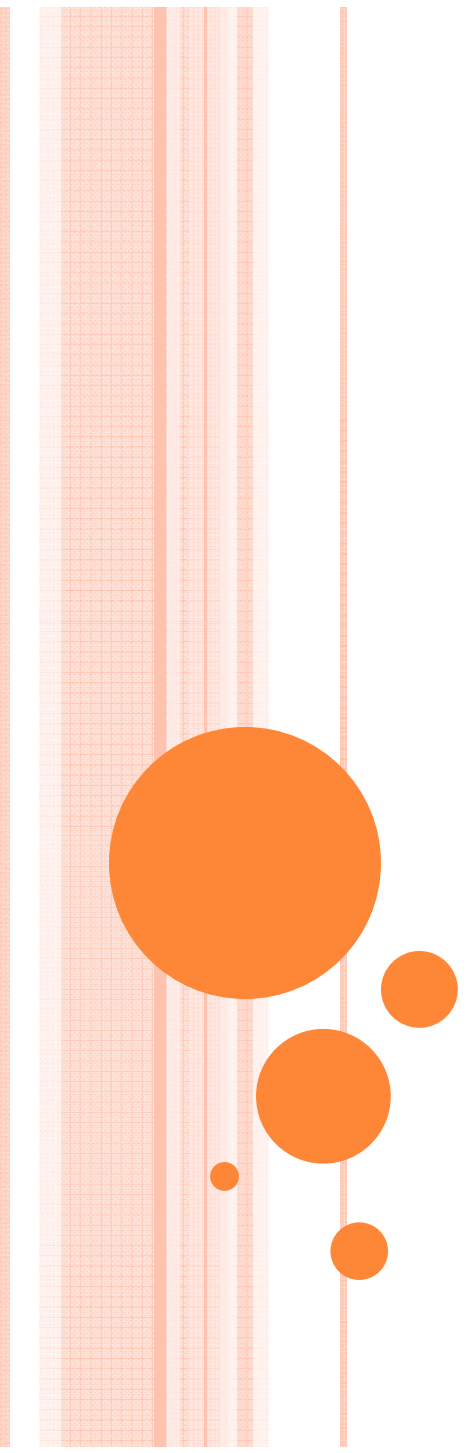
Review of FSI in Gujarat Estate: Due to the hardship faced by existing industrial units located in GIDC estates while carrying out expansion/diversification due to existing limitations of built up area Gujarat government is planning to allow the existing units for additional construction by revising the FSI norms. This will facilitate the industries for carrying out expansion/ diversification and provide a thrust to industrial development.



Establishment of Industrial Areas and Estates by

Private Investors: The establishment of Industrial areas by private investors will include cost of infrastructure such as internal roads, power line, communication facilities, water distribution and water augmentation facilities, sewage and drainage lines, effluent treatment and disposal facilities and other facilities as may be required in the Park. Development of industrial parks, in at least an area of 20 ha, suitable for a minimum of 10 units, will be incentivized by 25% of the total infra cost to be borne by GoG/GIDC.

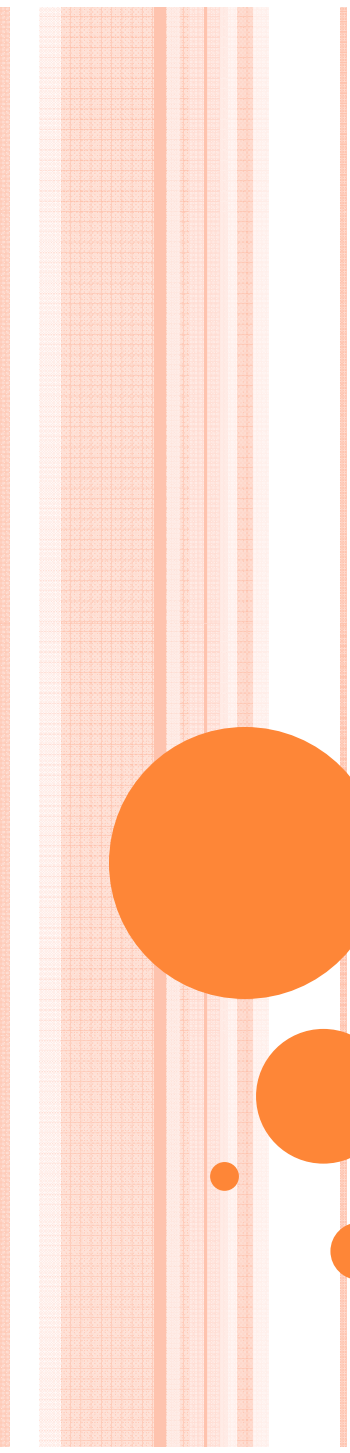
Parks with an area more than 100 hectares will be facilitated through provision of infrastructure services such as link roads, pipelines for water substation for electricity etc. The State Government will provide Stamp Duty reimbursement on the cost of the land to encourage such development.



Market Development Initiative: Gujarat government is taking adequate steps with the intention of giving enhanced visibility to local produce from large industries and specifically from MSMEs.

The new Industrial Policy has therefore taken upon itself the onus of facilitating use of better marketing practices by the MSMEs and shall provide financial assistance for:

- Participation in International Exhibitions (Abroad)
- Promotion of machinery purchase during the Exhibitions in Gujarat
- Promote organizers for organizing exhibitions in Gujarat
- Promotion of MSME participation in the Exhibitions in India including Gujarat by various means like reimbursing their Stall charges



MDA(Exhibition Subsidy): Gujarat government provides assistance of Rs. 2 Lakhs to industries participating in international exhibition for export promotion

Grant to Textile unit under Gujarat Vat Act, 2003: Refund of VAT paid by the unit on purchases of intermediate product /raw material except for certain goods and certain transactions which are not eligible for tax credit under the Gujarat VAT ACT, 2003 and **remission of VAT/CST** collected on end product/intermediate product within entire value chain from cotton to Garment and on end made ups to the extent of 100% the eligible fixed capital investments in plant & machinery made within one year (two years in case of investment more than 500 crores) from the date of production or during the operative period of the scheme whichever is earlier.

This concession will be available **within 8 years** from the date of the production.



✚ **Subsidy Provided by Central Government**

➤ **Credit Linked Capital Subsidy Scheme (CLCSS) (Central Government)**

➤ The eligible beneficiaries include sole Proprietorships, Partnerships, Co-operative societies, Private and Public limited companies in the SSI sector. Priority shall be given to Women entrepreneurs

➤ **Capital subsidy @ rate of 15** per cent with maximum limit of Rs. 15 Lakhs of the eligible investment in plant and machinery under the Scheme shall be available only for such projects, where terms loans have been sanctioned by the eligible Prime Lending Institution. Machinery purchased under Hire Purchase Scheme of the NSIC are also eligible for subsidy



➤ **Credit Linked Capital Subsidy Scheme (CLCSS)**
(Central Government)

➤ This subsidy is available only to SSI units which are investing in technology up gradation

➤ The maximum limit of eligible loan under this scheme is **Rs. 100 lakh**



✚ **Subsidy Provided by Central Government**

➤ **Technology Up-gradation Fund Scheme**

- Focus of TUFSS scheme is for the growth and development of textile manufacturing sector
- Assistance is available to any textile unit which invest for upgrading their technology for the manufacture of textile product

➤ **Subsidy under Technology Up-gradation Fund Scheme**

- **Stand alone spinning units:** 2% Interest Reimbursement (IR) for new stand alone/replacement/modernization of spinning machinery
- **Spinning Units with capacity in weaving/ knitting/processing/garmenting :** 5% Interest Reimbursement (IR)



➤ **Subsidy under Technology Up-gradation Fund Scheme**

➤ **Weaving Units:**

- 6% IR and 15% capital subsidy on brand new shuttleless looms or 30% Margin Money Subsidy (MMS) on brand new shuttleless looms for powerloom sector
- 2% IR or 8% MMS on second hand imported shuttleless looms with 10 years vintage and with a residual life of minimum 10 years
- For 30% MMS – capital ceiling caps of RS. 5 crore and subsidy cap of Rs. 1.5 crore would be adhered to for encouraging adequate investments by the MSME sector



➤ **Subsidy under Technology Upgradation Fund Scheme**

- **Textile Processing:** 5% IR and 10% capital subsidy for specified processing machinery. Common Effluent Treatment Plant/ Effluent Treatment Plant
- **Garmenting :** 5% IR and 10% capital subsidy on specified machinery for garmenting units
- **Technical Textiles (including non-wovens) :** 5% IR and 10% capital subsidy on specified machinery required in manufacture on technical textiles
- **Handloom and silk sector –** 5% IR or 30% capital subsidy on benchmarked machinery
- **MSMEs including jute sector –** 5% IR or 15% MMS– subsidy ceiling to be Rs. 75 lakh
- **Period of interest reimbursement –** Interest reimbursement will be for a period of 7 years including 2 years of moratorium / implementation



➤ **Technology Up-gradation Scheme (TEQUP)**

- This scheme is available to MSME unit who have been audited for energy consumption and have a Detailed Project Report (DPR) on Energy Efficient Technology by a qualified Energy Manager/Auditor
- Subsidy will be 25% of the project cost for implementation of EET subject to maximum of Rs. 10 lakh. The balance amount of project cost is to be funded through loan from SIDBI /Banks /FIs'. The project cost may include cost of machines, sales and excise tax, transportation and transit insurance cost, import related duty etc.
- The project should primarily focus on energy efficiency for the applicant MSMEs' and must lead to at least 15% reduction in the energy consumption by the enterprise.
- Applicant unit should not be covered under any other subsidy scheme of Government of India
- SIDBI is the nodal agency for implementation this scheme



➤ **Other Assistance Be Central Government**

➤ **SAD Refund:** Under Customs Act, 1962 SAD refund is provided by central government to Importer for creating healthy competitive within organization

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