

NCEUS Cell/4/2010-Pt  
Government of India  
Ministry of Micro, Small and Medium Enterprises

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Udyog Bhavan, New Delhi 110 107  
Dated: 20<sup>th</sup> November, 2014

**CORRIGENDUM**

**Subject: Micro Small & Medium Enterprises Development (Amendment) Bill, 2014 –  
Definition of MSME**


The undersigned is directed to refer to this Ministry's O.M. of even number sated 5.11.14 on the aforesaid subject and to state that Clause (3) of the proposed amendment may be read as below:

*U/S 7 (1) (a) In case of the enterprise engaged in the manufacturing or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act 1951-as-*

- (i) a micro enterprise where the investment in plant and machinery does not exceed twenty-five lakhs rupees;*
- (ii) a small enterprise where the investment in plant and machinery is more than twenty-five lakhs rupees but does not exceed five crores rupees;*
- (iii) a medium enterprise where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;*

***To be amended as***

- (i) a micro enterprise where the investment in plant and machinery does not exceed fifty lakhs rupees;*
- (ii) a small enterprise where the investment in plant and machinery is more than fifty lakhs rupees but does not exceed ten crores rupees;*
- (iii) a medium enterprise where the investment in plant and machinery is more than ten crore rupees but does not exceed thirty crore rupees;*

  
(S.N. Tripathi)

Joint Secretary

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**To**

1. Secretary, Planning Commission, Yojana Bhawan, Sansad Marg, New Delhi.
2. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.

3. Secretary, Department of Financial Services, Ministry of Finance, Jeevan Deep Building, New Delhi.
4. Secretary, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi.
5. Secretary, Ministry of Corporate Affairs, Shastri Bhawan, New Delhi.
6. Secretary, Ministry of Development of North Eastern Region, Vigyan Bhawan Annexe, New Delhi
7. Secretary, Ministry of Social Justice & Empowerment, Shastri Bhawan, New Delhi.
8. Secretary, Ministry of Tribal Affairs, Shastri Bhawan, New Delhi.
9. Secretary, Ministry of Labour and Employment, Shram Shakti Bhawan, New Delhi.

## Background Note on Micro Small & Medium Enterprises Development (Amendment) Bill, 2014 – Definition of MSME

### 1. Background

1.1 The MSMED Act, 2006 revised the definition of Micro, Small and Medium Enterprises as given below :

(Rs. in lakh)

Definition as per the MSMED Act, 2006		
	Manufacturing (Investment in plant and machinery)	Services (Investment in equipments)
<b>Micro</b>	25	10
<b>Small</b>	500	200
<b>Medium</b>	1000	500

1.2 Subsequently, the need for change in definition has been raised by the various stakeholders from time to time. The earlier Department related Parliamentary Standing Committee (DRPSC) on Industry had taken up this issue and in its 245<sup>th</sup> Report had recommended that “considering the inflation and dynamic market situation, the Committee feels that definition of MSME as provided in the Act may be revised every five years”. Further, in its 258<sup>th</sup> Report, it had recommended that “if needed, the Act should be amended to make definition flexible”. A committee constituted by RBI in 2011-12 to re-examine the existing classification also recommended that the existing limit for investment in plant & machinery needs to be increased considering changes in price index and cost of inputs

### 2 Need for Change

The existing limits under the MSMED Act were fixed in 2006. Since then, there has been a significant increase in the price index and cost of inputs. The indices have roughly doubled since 2006. The annual increase in WPI for major inputs has been as follows:-

WPI (BASE YEAR 2004-05=100)

S No.	Commodity	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1.	FUEL & POWER	113.58	120.92	120.96	134.95	132.10	148.32	169.03	186.49	205.43
2.	CEMENT & LIME	102.34	118.88	137.66	138.64	149.02	150.84	156.97	168.63	166.98
3.	BASIC METALS, ALLOYS & METAL PRODUCTS	102.23	111.72	123.22	137.96	129.51	140.73	156.29	166.07	164.53
4.	IRON & SEMI	97.90	99.15	117.08	136.87	118.99	127.92	152.68	161.60	154.08
5.	MACHINERY & MACHINE TOOLS	103.58	110.12	114.14	117.44	117.98	121.31	125.08	128.36	131.64
6.	TRANSPORTEQUIPMENT & PARTS	102.69	104.97	107.56	113.33	116.82	120.34	124.58	129.83	134.51

### 3. Recent Developments

3.1 The Budget 2014-15 has announced a number of proposals for the development and promotion of the MSME sector. The Budget has also announced Review of Definition of MSME to provide for higher capital ceiling.

3.2 To discuss various suggestions and views for empowerment of MSMEs with the stakeholders, an interactive meeting was held under the chairmanship of Minister (MSME) with 80 Associations on 03<sup>rd</sup> July, 2014 at New Delhi. On the issue of change in definition of MSME, a large number of Industry Associations supported enhancement of investment limits, seeking doubling of the limits or even higher increases. Some Associations suggested that the criterion for defining MSME should not be based on investment limits alone and other means of defining MSME should be considered such as employment and turnover. The Definition should be harmonized for GST, Factory Act and PF.

#### 4. Proposal

In view of the above it is proposed that the definition of MSME may be changed by raising the raise the capital limits in plant and machinery to the following levels:-

<u>Manufacturing</u>	<u>Present</u>	<u>Proposed</u>
Micro	Rs.25 lakh	Rs.50 lakh
Small	Rs.5 crore	Rs.10 crore
Medium	Rs.10 crore	Rs.30 crore
 <u>Services</u>		
Micro	Rs.10 lakh	Rs.20 lakh
Small	Rs.2 crore	Rs. 5 crore
Medium	Rs.5 crore	Rs.15 crore

The draft Micro Small & Medium Enterprises Development (Amendment) Bill, 2014 regarding change in definition of MSME is at Annexure – I

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## Proposed Amendment

### THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT (AMENDMENT) ACT, 2014

An Act to *further to amend the* Micro, Small and Medium Enterprises Development Act, 2006

Be it enacted by Parliament in the sixty-fourth year of the Republic of India as follows:-

#### PRELIMINARY

1. (i) This Act may be called the Micro, Small and Medium Enterprises Development (Amendment) Act, 2014

(ii) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Act

and

any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. In the Micro, Small and Medium Enterprises Development Act, 2006 the following amendment to Sections 7 (1) (a) and under Section 7(1) (b) shall be inserted/modified.

3. U/S 7 (1) (a) In case of the enterprise engaged in the manufacturing or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act 1951-as-

(i) a micro enterprise where the investment in plant and machinery does not exceed twenty-five lakhs rupees;

(ii) a small enterprise where the investment in plant and machinery is more than twenty-five lakhs rupees but does not exceed five crores rupees;

(iii) a medium enterprise where the investment in plant and machinery is more than five crore rupees but does not exceed ten crore rupees;

#### To be amended as

(i) a micro enterprise where the investment in plant and machinery does not exceed fifty lakhs rupees;

(ii) a small enterprise where the investment in plant and machinery is more than fifty lakhs rupees but does not exceed ten crores rupees;

(iii) a medium enterprise where the investment in plant and machinery is more than ten crore rupees but does not exceed thirty crore rupees;

4. U/S 7 (1) (b) In case of the enterprise engaged in providing or rendering of services-  
as-

(i) a micro enterprise where the investment in equipment does not exceed ten lakhs rupees;

(ii) a small enterprise where the investment in equipment is more than ten lakhs rupees but does not exceed two crores rupees;

(iii) a medium enterprise where the investment in equipment is more than two crore rupees but does not exceed five crores rupees;

**To be amended as**

(i) a micro enterprise where the investment in equipment does not exceed twenty lakhs rupees;

(ii) a small enterprise where the investment in equipment is more than twenty lakhs rupees but does not exceed five crores rupees;

(iii) a medium enterprise where the investment in equipment is more than five crore rupees but does not exceed fifteen crores rupees;

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