April – June 2015

SME INSIGHTS

A newsletter from Onicra

ONICRA

WE SECURE TRUST

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ABOUT ONICRA CREDIT RATING AGENCY OF INDIA LIMITED (ONICRA)

ONICRA Credit Rating Agency is one of the leading performance and credit rating agencies in India. It provides ratings, risk assessment and analytical solutions to MSMEs and corporate. Third-party performance and credit rating and assessment help to create ‘trust’ between players in markets that underpins transactions.

ONICRA plays a central and critical role in collecting and analysing a variety of financial, operational, industry and market information, then synthesising that information and providing autonomous and reliable assessments of entities, thereby providing stakeholders with an important input for their decision-making process.

To realise our goal, we have committed ourselves in providing stakeholders with objective, timely, independent and forward-looking performance and credit opinions. The foundation of this dedication is embedded in several core principles – objectivity, quality, independence, integrity and transparency.

About ONICRA MSME Ratings

The Ministry of MSME through NSIC has signed a memorandum of understanding (MoU) with ONICRA to provide performance and credit rating services to micro- and small-sized enterprises. Rating creates awareness about strengths, weaknesses, opportunities and threats and assists in identifying areas of improvement for enterprises. Under this scheme, a micro- or small-sized enterprise pays 25% of the rating fee to ONICRA, while the remaining 75% is subsidised by NSIC.

ONICRA has rated around 39,365 MSMEs since 2005.

NSIC scheme features

- 75% subsidy on NSIC-ONICRA Rating Fees
- A government of India initiative with NSIC
- Turnover-based fee structure
- Rating encompasses performance and credit factors

Benefits of NSIC-ONICRA Performance and Credit Rating

- Assists in risk management by highlighting parameters measuring operational, financial and business risk
- Enhances acceptability with banks, financial institutions and provides access to cheaper and timely credit
- A ‘holistic health check-up of a unit’ that establishes credibility, goodwill and assists in dealing with large companies
- Helps in marketing and serves as first point to generate interest amongst potential partners

ECONOMIC PERSPECTIVE

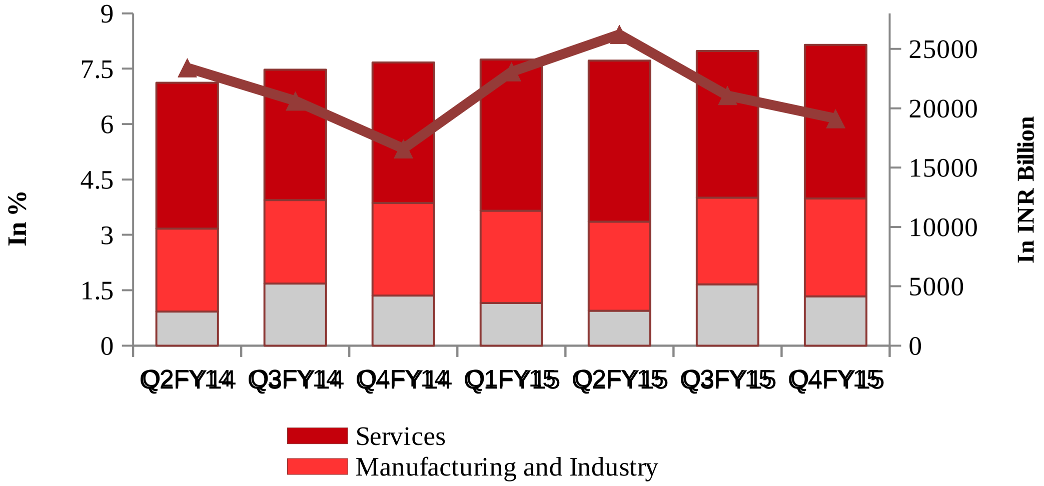
Executive Summary

Indian economy for the financial year 2014–2015 (FY 2014–15), which has been the first fiscal of the incumbent government, has registered a growth rate of 7.29% against 7.40% estimation by Central Statistics Office (CSO). This deviation in the growth rate is substantially accompanied by the deteriorated performance of 'Agriculture, Forestry and Fishing' sector in the last two quarters of FY 2014–15, the economy nevertheless has been on a path to recovery.

Similarly, in the last fiscal, the government globally promoted India as supportive and stable investment destination. It has maintained the buoyancy and positive sentiments in the country. Inflation and interest rates have also declined during the period. However, in first 2 months of current fiscal, sharp fall in the stock market, deceleration in the export and depreciation of the Indian national rupee (INR) against the United States dollar (USD) still remain concerns for the nation.

Economic Growth

Figure 1. Composition and Growth Rate of GVA



***Source:** Central Statistics Office*

***Note:** LHS-growth rate of GVA; RHS-composition of GVA*

Table 1. Composition of Sub-Sectors of GVA (in %)

Sectors	Q2 FY 2013–14	Q3 FY 2013–14	Q4 FY 2013–14	Q1 FY 2014–15	Q2 FY 2014–15	Q3 FY 2014–15	Q4 FY 2014–15
Agriculture, Forestry and Fishing	**12.92**	**22.45**	**17.65**	**15.09**	**12.23**	**20.82**	**16.39**
Manufacturing and Industry	**31.53**	**30.30**	**32.71**	**31.90**	**31.00**	**29.29**	**32.55**
Mining and Quarrying	2.77	2.93	3.33	2.96	2.63	2.81	3.21
Manufacturing	18.25	16.86	18.54	18.56	17.88	16.35	18.93
Electricity, Gas, Water Supply and Other Utility	2.40	2.27	2.24	2.41	2.42	2.32	2.20
Construction	8.11	8.25	8.60	7.98	8.07	7.81	8.21
Services	**55.55**	**47.25**	**49.64**	**53.01**	**56.77**	**49.90**	**51.06**
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	18.90	18.68	19.32	18.54	19.06	18.63	20.76
Financial, Real Estate and Professional Services	22.99	16.80	17.89	22.40	24.26	18.12	18.57
Public Administration, Defence and Other Services	13.67	11.77	12.43	12.07	13.44	13.14	11.72
Gross Value Added at Basic Constant Prices	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: *Central Statistics Office*

Table 2. Growth Rate of Sub-Sectors of GVA (in %)

Sectors	Q2 FY 2013–14	Q3 FY 2013–14	Q4 FY 2013–14	Q1 FY 2014–15	Q2 FY 2014–15	Q3 FY 2014–15	Q4 FY 2014–15
Agriculture, Forestry and Fishing	**3.61**	**3.80**	**4.37**	**2.63**	**2.10**	**(1.09)**	**(1.42)**
Manufacturing and Industry	**3.99**	**5.02**	**4.32**	**7.67**	**7.61**	**3.60**	**5.64**
Mining and Quarrying	4.53	4.18	11.48	4.34	1.45	1.53	2.29
Manufacturing	3.80	5.93	4.41	8.40	7.91	3.55	8.40
Electricity, Gas, Water Supply and Other Utility	6.50	3.91	5.91	10.09	8.69	8.67	4.21
Construction	3.52	3.81	1.22	6.52	8.70	3.05	1.37
Services	**10.63**	**9.10**	**6.36**	**8.69**	**10.37**	**12.55**	**9.17**
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	11.86	12.38	9.94	12.15	8.92	7.38	14.08
Financial, Real Estate and Professional Services	11.92	5.68	5.50	9.26	13.51	13.28	10.17
Public Administration, Defence and Other Services	6.94	9.10	2.38	2.79	7.09	19.68	0.11
Gross Value Added at Basic Constant Prices	**7.52**	**6.63**	**5.33**	**7.42**	**8.43**	**6.77**	**6.15**

Source: *Central Statistics Office*

As per the data released by CSO for fourth quarter (Q4) of FY 2014–15, India's gross domestic product (GDP) has registered a growth rate of 7.51% over the value of INR 26734.47 billion in Q4 FY 2013–14, which was released under the revised estimates of new series for the period. Similarly, GDP growth rate for Q1, Q2 and Q3 of FY 2014–15 has been revised to 6.66%, 8.44% and 6.55%, respectively. In FY 2014–15, with wide fluctuations in GDP growth rate, Q2 has contributed the highest rate by crossing the mark of 8%, whereas Q1 and Q2 have registered growth rate below 7%.

Compared with GDP growth rate of 7.29% in FY 2014–15, the real gross value added (GVA) or GVA at basic constant prices has grown at a rate of 7.19% vis-à-vis 6.67% in FY 2013–14. In Q4 FY 2014–15, the country's GVA registered its lowest growth rate of 6.15%, nevertheless the GDP growth rate of 7.51% during the same period. The valuable contribution of 9.17% and 5.64% from 'Services' and 'Manufacturing and Industry' sectors, respectively, in Q4 FY 2014–15, compared to

6.36% and 4.32%, respectively, in the corresponding period of last year, has provided a strong support to GVA. Contrary to it, ‘Agriculture, Forestry and Fishing’ sector has again shown a deceleration of 1.42% in Q4 FY 2014–15 compared to its highest growth rate of 4.37% in Q4 FY 2013–14.

Services

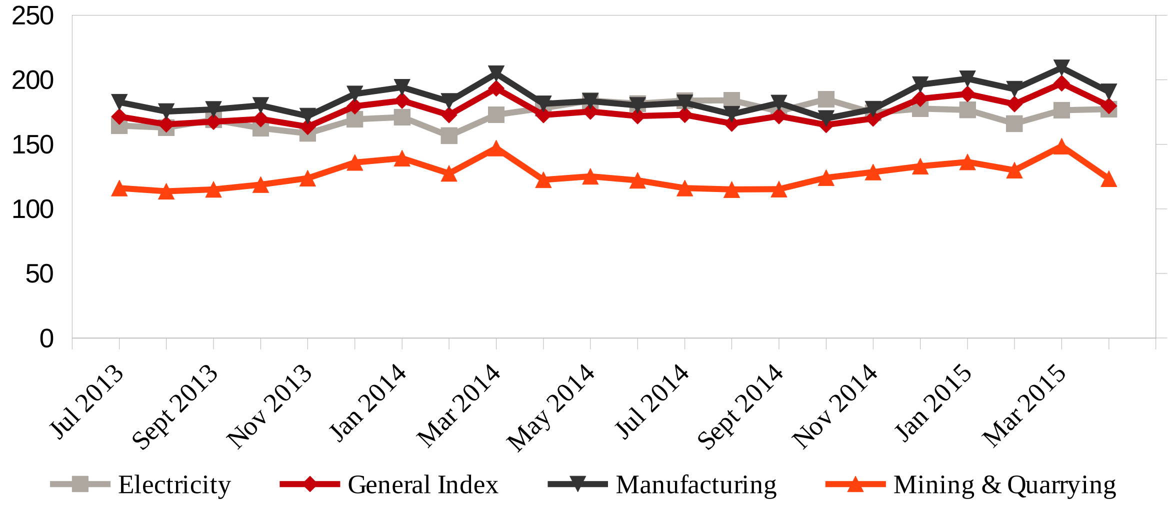
After registering a lower growth rate in the first two quarters of FY 2014–15, the ‘Services’ sector, which is the mainstay of Indian economy, has shown robust growth rate in the last two quarters over the corresponding period of FY 2013–14. In FY 2014–15, the sector has shown a growth rate of 10.19% with 52.56% of its contribution to GDP, compared to 9.09% and 51.17%, respectively, in FY 2013–14. This acceleration has been mainly accompanied by the ‘Financial, Real Estate and Professional Services’ sub-sector, which has also maintained highest weight in the sector. In FY 2014–15, the ‘Financial, Real Estate and Professional Services’ sub-sector has shown a growth rate of 11.55% vis-à-vis 7.71% in FY 2013–14, mainly due to an increase in bank credits and aggregate bank deposits during the period.

On the other side, the ‘Trade, Hotels, Transport, Communication and Services Related to Broadcasting’ sub-sector, has shown a lower growth rate of 10.63% in FY 2014–15 compared to 11.11% in FY 2013–14.

The ‘Public Administration, Defence and Other Services’ sub-sector, which has outperformed in Q3 FY 2014–15, has shown the lowest growth rate of 0.11% in Q4 FY 2014–15 vis-à-vis 2.38% in the corresponding period of FY 2013–14. Similarly, due to the contraction in central government expenditure than what was anticipated, the sub-sector has registered a lower growth rate of 7.42% in FY 2014–15 compared to 8.21% in FY 2013–14.

Manufacturing and Industry

Figure 2. Index of Industrial Production



***Source:** Central Statistics Office*

After showing upwards movement between December 2014 and January 2015, the Index of Industrial Production (IIP) has declined in February 2015. With a sign of recovery, the index shot up in March 2015 but in April 2015 it has decreased sharply. Only ‘Electricity’ sub-sector has been showing an increasing trend for the last three months in 2015, however, ‘General Index’, ‘Manufacturing’ and ‘Mining and Quarrying’ sub-sectors have reached their five-month-lows in April 2015.

Table 3. Index of Industrial Production

Change in Index of Industrial Production (in %)				
Industry Group	**FY 2013–14**	**FY 2014–15**	**April FY 2014–15**	**April FY 2015–16**
Electricity	6.10	8.43	11.94	-0.90
General Index	-0.10	2.64	3.72	7.00
Manufacturing	-0.77	2.11	3.01	9.20
Mining and Quarrying	-0.60	1.37	1.74	0.70

Source: *Central Statistics Office*

After years of stagnancy, ‘Manufacturing and Industry’ sector has registered a growth rate of 6.13% in FY 2014–15, compared to 4.53% in FY 2013–14. During the period, 'Electricity, Gas, Water Supply & Other Utility' sub-sector has shown robust performance of 7.91% as compared to 4.77% in the previous fiscal. Similarly, due to inclusion of corporate performance and increase in the domestic demand, the ‘Manufacturing’ sub-sector has also accelerated with a growth rate of 7.06% in FY 2014–15 vis-à-vis 5.34% in FY 2013–14. The 'Construction' sub-sector recorded a growth rate of 4.91% in FY 2014–15 over 2.52% in FY 2013–14. Contrary to this, the ‘Mining and Quarrying’ sub-sector has shown a deceleration in its growth rate at 2.40% in FY 2014–15, compared to 5.26% in FY 2013–14, due to decline in the performance of coal and crude oil during the period.

Agriculture, Forestry and Fishing

Due to the deteriorated performance in the last two quarters, the ‘Agriculture, Forestry and Fishing’ sector has shown a growth rate of 0.56% in FY 2014–15 vis-à-vis 3.61% in FY 2013–14. In the last fiscal, the country has attained only 88% of rainfall during South West Monsoon Season, which has reduced the production of total food grains. As per the 3rd advance estimates released by Ministry of Agriculture, the production of all major crops has declined except for sugar cane, which has shown a growth rate of 1.26% in FY 2014–15. Specifically, the production of oilseeds and pulses has declined considerably by -16.40% and -12.09%, respectively in FY 2014–15.

Table 4. Major Crops Production

Production of Major Crops (in Million Tonne)			
Crops	**FY 2013–14 (Final)**	**FY 2014–15 (3rd Advance Estimates)**	**Growth (in %)**
Rice	106.65	102.54	-3.85
Wheat	95.85	90.78	-5.29
Total Pulses	19.77	17.38	-12.09
Total Food grains	265.57	251.12	-5.44
Total Oilseeds	32.75	27.38	-16.40
Sugar cane	352.14	356.56	1.26
Cotton @	35.90	35.32	-1.62

Source: *Directorate of Economics and Statistics, Department of Agriculture and Cooperation*
Note: *@ Production in Million bales of 170 kg each*

Consumption Drivers

Table 5. Credit Deployment Growth Rate

Particulars	Growth in Q4 FY 2013–14 (in %)	Growth in Q4 FY 2014–15 (in %)
Food Products and Beverages	4.29	-1.20
Apparel	-3.26	18.47
Consumer Goods	-2.60	0.75
Deployment of Bank Credit to Housing*	18.26	-22.70

Source: *The Reserve Bank of India*
Note: **Including priority sector housing*

In last quarter of FY 2014–15, a robust growth rate of 18.47% has been registered in consumption expenditure on apparel over -3.26% in the corresponding period of FY 2013–14. Also, spending on consumer goods has turned from negative to positive growth rate of 0.75% in Q4 FY 2014–15. Contrary to above, the growth rate in the deployment of bank credit to housing and consumption expenditure on food products and beverages has turned into negative at -22.70% and –1.20%, respectively, in Q4 FY 2014–15.

Investment Drivers

Table 6. Gross Bank Credit Deployment

Industry	Amount (in INR Billion)	Share towards Deployment of Gross Bank Credit as on May 29, 2015	YoY Growth (in %)	
			May 2014	May 2015
Infrastructure	9278	35.2	10.8	8.6
Basic Metal & Metal Product	3836	14.5	11.9	8.3
Textiles	2010	7.6	8.6	0.9
Food Processing	1622	6.1	21.8	11.1
All Engineering	1520	5.8	11	3.8
Chemicals & Chemical Products	1516	5.7	6.3	-0.3
Construction	734	2.8	22.9	5.7
Gems & Jewellery	706	2.7	-0.4	6.5
Vehicles, Vehicle Parts & Transport Equipment	698	2.6	10.8	7.0
Cement & Cement Products	563	2.1	21.6	1.4
Petroleum, Coal Products & Nuclear Fuels	582	2.2	9	-10.2
Rubber, Plastic & their Products	365	1.4	12.8	1.9
Mining & Quarrying (incl. Coal)	357	1.4	17.5	-5.3
Paper & Paper Products	340	1.3	11	4.3
Beverage & Tobacco	184	0.7	18.1	2.9
Leather & Leather Products	103	0.4	10.3	5.4
Wood & Wood Products	98	0.4	18.6	3.3
Glass & Glassware	88	0.3	13.9	-0.5
Other Industries	1799	6.8	9	-3.2
Total	**26389**	**100.0**	**11.3**	**5.2**

Source: The Reserve Bank of India

Growth rate in deployment of gross bank credit has fallen sharply to 5.17% in May 2015 from 11.31% in May 2014. Almost all the sector have registered a decline in the growth rate of gross bank credit deployment indicating a subdued performance of the overall manufacturing industry. Despite being a major contributor (35%) to the overall credit deployment, infrastructure has shown a slower growth as compared to previous year. Within infrastructure, power witnessed positive growth of 1.8% while other sectors like telecom, roads and other infrastructure decelerated. Further, growth in gross bank credit in food processing industry declined to 11.05% in May 2015 from 21.77% in May 2014.

The total deployment of gross bank credit stands at INR 26,389 billion as on May 29, 2015, compared to INR 25,091 billion as on May 29, 2014. Infrastructure industry remained at the top with 35.15% share in total deployment of gross bank credit followed by Metal & Metal Products and Textiles which stood at second and third position with share of 14.53% and 7.61%, respectively, as on May 29, 2015.

Export-Import

Table 7. Balance of Trade

Month	Export (in INR Billion)	Growth in Export (YoY in %)	Import (in INR Billion)	Growth in Import (YoY in %)	Trade Balance (in INR Billion)
June – 14	1581.65	10.85	2284.27	5.65	-702.62
July – 14	1665.28	7.43	2399.71	4.97	-734.43
Aug – 14	1641.63	4.69	2301.65	3.53	-660.02
Sep – 14	1759.19	5.92	2626.36	27.14	-867.17
Oct – 14	1600.66	-2.17	2420.03	6.65	-819.37
Nov – 14	1601.87	8.48	2642.27	30.17	-1040.40
Dec – 14	1634.00	3.35	2185.85	-0.16	-551.85
Jan – 15	1486.17	-7.40	2004.02	-8.92	-517.85
Feb – 15	1336.62	-13.25	1761.39	-13.17	-424.77
Mar – 15	1495.75	-15.69	2232.25	-7.18	-736.50
Apr – 15	1384.00	-10.00	2073.81	-3.24	-689.80
May – 15	1425.73	-15.08	2089.66	-11.19	-663.93

Source: *Ministry of Commerce and Industry*

After hitting 17 month-low in February 2015, India's trade deficit widened to INR 736.50 billion in March 2015, a 73.40% increase over February 2015. This is mainly on account of sharp increase in imports marked by gold imports, which have nearly doubled to 125 tonnes in March 2015 when compared to the corresponding period in previous year. This has resulted in significant jump in total imports to INR 2,232.25 billion in March 2015 against INR 1,761.39 billion in February 2015.

Furthermore, exports stood at INR 1,425.73 billion in May 2015 against INR 1,679.40 billion in May 2014. Exports from India fell consecutively for the 5th month on account of slowdown in China, coupled with the slow growth of the global economy. Fall in international crude oil prices has significantly contributed to the decline in exports as exports of petroleum products fell by 59.11% in May 2015 against May 2014. Further, export of other major items like electronic goods, engineering goods, cotton yarn, gems & jewellery and agriculture products also declined.

Interest Rate

Table 8. Key Indicators of Monetary Policy of India

Item	Feb 2015	Mar 2015	Jun 2015
Cash Reserve Ratio (%)	4.00	4.00	4.00
Repo Rate (%)	7.75	7.50	7.25
Reverse Repo Rate (%)	6.75	6.50	6.25
Marginal Standing Facility (%)	8.75	8.50	8.25
Statutory Liquidity Ratio (%)	21.50	21.50	21.50

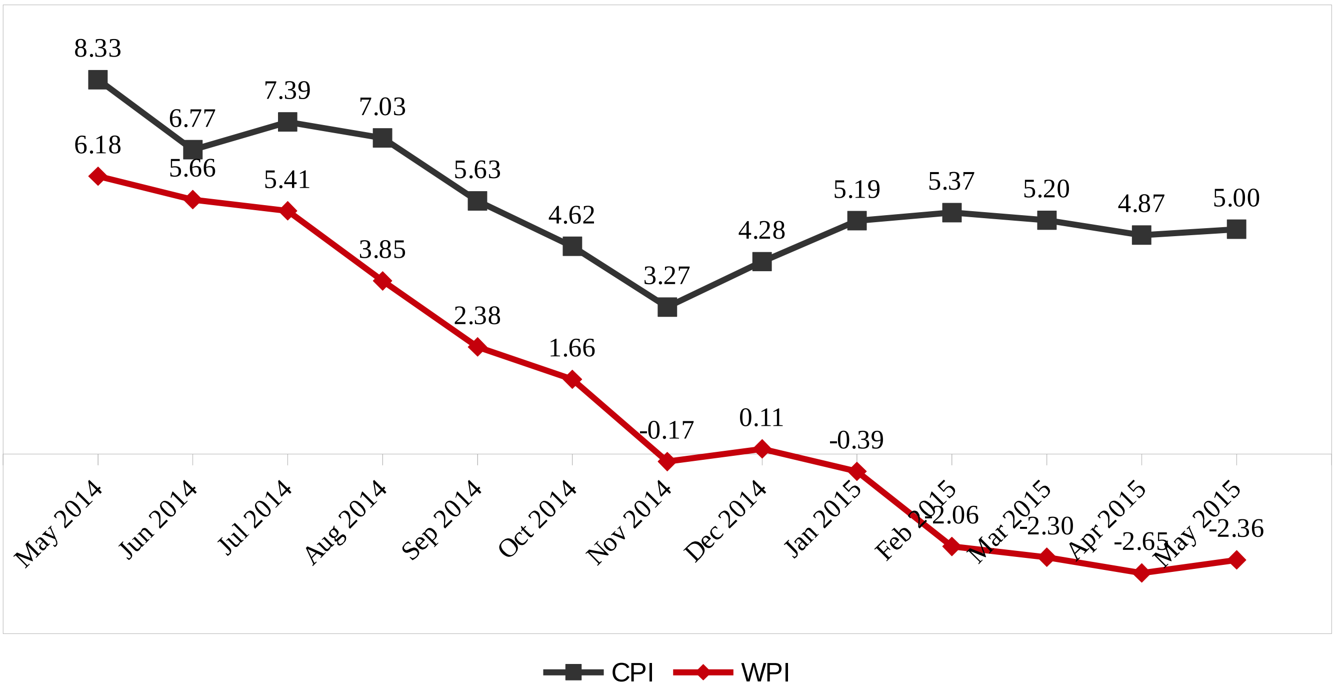
Source: *The Reserve Bank of India*

The Reserve Bank of India (RBI) has cut repo rate by 25 basis points (bps) (100 bps = 1%) to 7.25% in June 2015 in order to boost the credit off-take and on the back of decreasing inflation.

Accordingly, reverse repo rate under the liquidity adjustment facility (LAF) adjusted to 6.25% and the Marginal Standing Facility (MSF) rate at 8.25%. However, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) remained at 4% and 21.5% respectively.

Inflation

Figure 3. Inflation Indices



Source: The Reserve Bank of India

Wholesale Price Index (WPI) has increased marginally to -2.36% in May 2015 from -2.65% in April 2015. However, it has been in negative zone for past 5 months starting from January 2015. WPI for primary articles and manufactured goods declined, while it has increased for fuel items, which has resulted in overall increase in May 2015. WPI of manufactured products decreased to -0.60% in May 2015 from -0.50% in April 2015, while WPI of primary articles fell from -0.30% in April 2015 to 0.80% in May 2015. But, WPI of fuel products increased from -13.0% in April 2015 to -10.5% in May 2015.

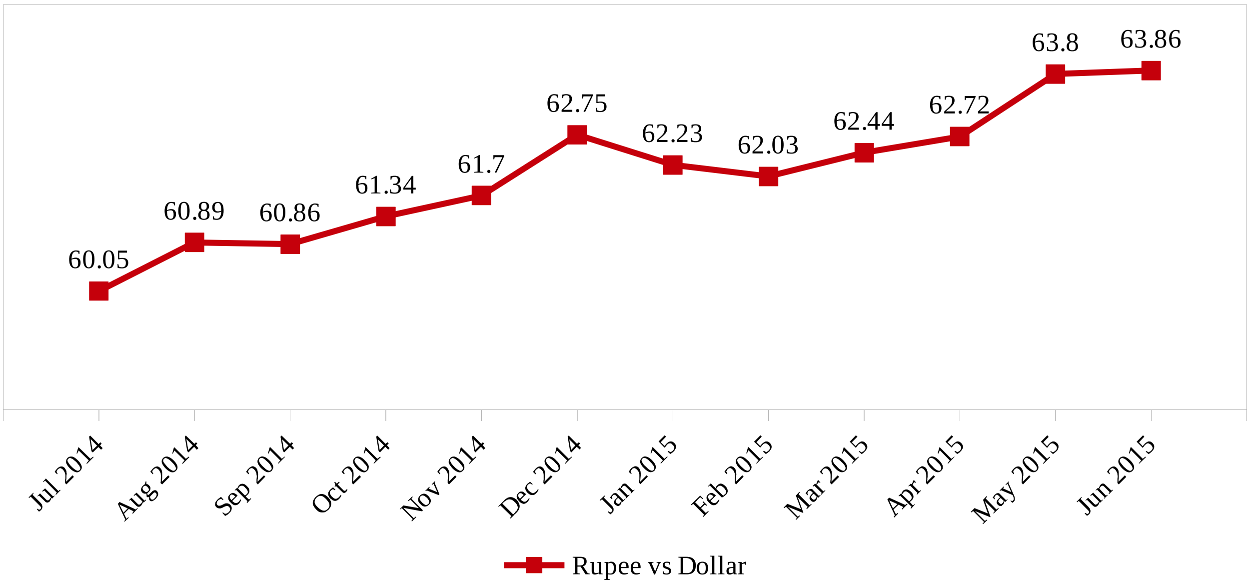
Consumer Price Index (CPI) inched up slightly to 5.00% in May 2015 from 4.87% in April 2015 on the back of increase in CPI for transportation and communication. However, the inflation of food and beverages group declined to 5.10% in May 2015 from 5.40% in April 2015.

Financial Market

Currency Market

Indian national rupee has depreciated by 1.76% against USD since December 2014 and has been trading at 62.20–63.50 levels over the last 6 months. The rupee has come under pressure due to strengthening of the USD index, which can be attributed to the strong economic data of USA. Due to decline in the value of gold, India is importing gold more than ever and this is hurting INR value owing to the demand from gold importers.

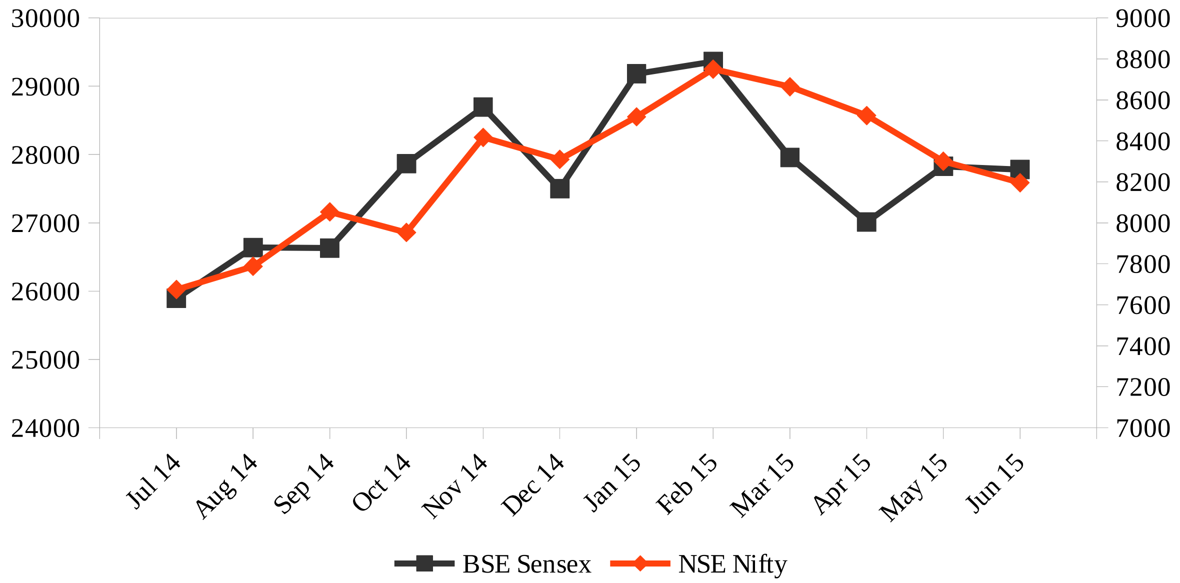
Figure 4. Foreign Exchange Rate Movement



Source: *The Reserve Bank of India*
Note*: Exchange rate value is average of the entire month*

The widened trade deficit of India and the stronger recovery in the US economy have been major factors behind INR depreciation during the first half of 2015. There is a demand for USD as foreign institutional investors (FIIs) have been selling stocks in the equity markets. Also, RBI has been buying USD in order to maintain its forex reserves and at the same time is also issuing currency notes and buying bonds to keep money supply under control.

Figure 5. Equity Market Indices



Source: Bombay Stock Exchange and National Stock Exchange

Figure 6. Equity Market Indices

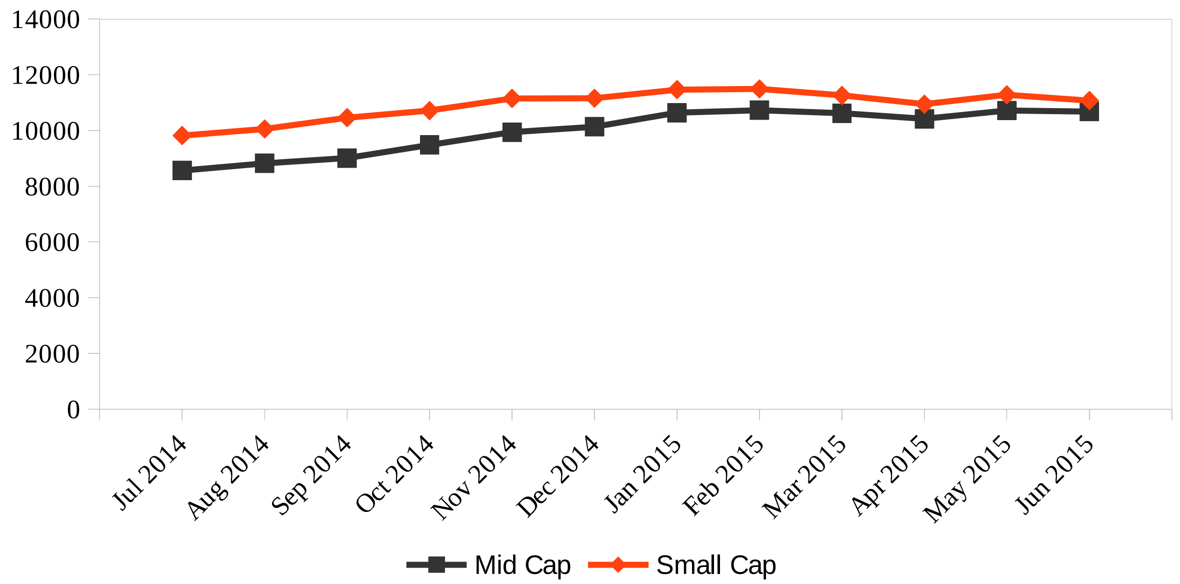
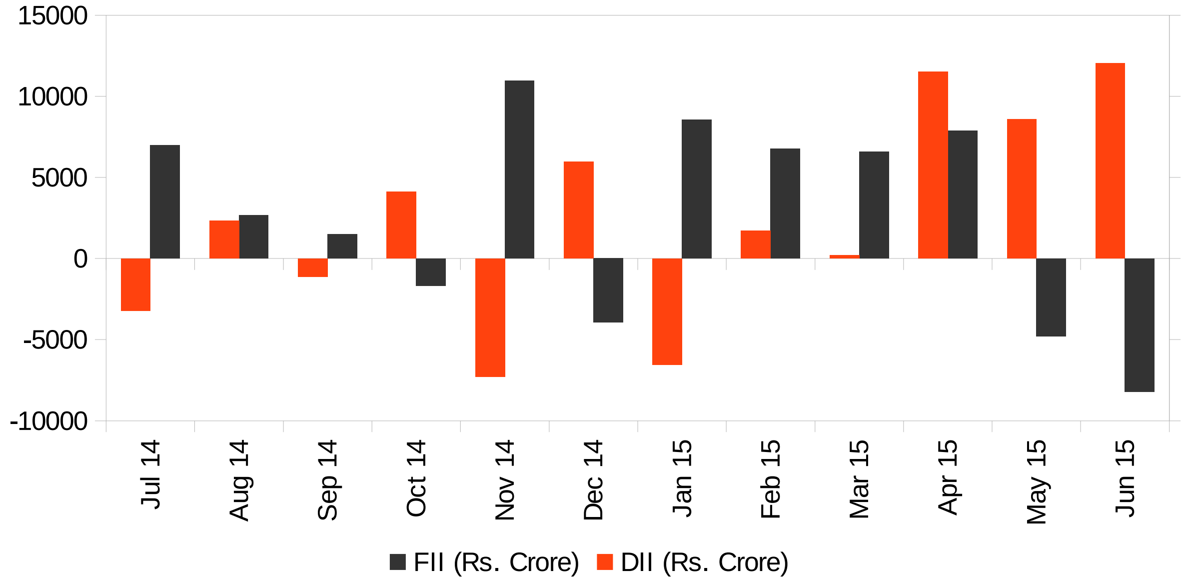


Figure 7. FII vs. DII



Source: Bombay Stock Exchange

Due to reforms agenda not materialising as expected, and investment cycles not reviving in India, stock markets are weakening. In fact, the markets have already lost 10% from its peak this year. During 2015, the performance of the Indian stock markets was relatively muted in comparison to other peer nations and FIIs withdrew heavily in June. This trend could get accentuated further should risk aversion take hold in the face of possible shocks from global events against the perception of the gap between expectations and delivery in reforms.

Consequently, with an outflow of FIIs in the Indian capital market, NSE Nifty has declined by around 6.34% and BSE Sensex by 5.38% from February 2015 to June 2015.

Outlook

Despite a deceleration in the growth rate of agriculture sector in the last fiscal, Indian economy is expected to grow at a higher rate on the back of service and manufacturing sectors in FY 2015–16. As per NITI Aayog, the country's economy is expected to expand at a growth rate of more than 8% in the current fiscal and within next 5 financial years the GDP will surpass the mark of USD 3 trillion.

Table 9. Projections for Economic Growth of India

FY 2015–16 (YoY, in %)	
Economic Survey of India	8.10–8.50
International Monetary Fund	7.50
Organisation for Economic Co-operation and Development (OECD)	8.00
Asian Development Bank	7.80

As per the recent global GDP estimate revised by IMF, it has downgraded the estimates for most of the economy except India which has been kept at 7.50%.

This fiscal, to attain the estimated level of GDP growth rate, the central government shall not only have to concentrate on imperative policy reforms but also on their implementation. On the other side, the government should heed the global economic scenario such as Greek debt crisis, deteriorating position of Russian economy and increasing unemployment and hyper-inflation in Brazil. Price pressures arising from possible sub-normal monsoon in the wake of 'El Nino' remains a significant risk to food and headline inflation and needs monitoring.

MSME NEWS UPDATE

De-reservation of last 20 MSME items, April 10, 2015

Government of India (GoI) on April 10, 2015, de-reserved 20 items micro, small and medium enterprises (MSMEs) were entitled to exclusively produce, viz. fireworks, bread, wood and steel furniture, stainless-steel utensils, pickles and chutneys, etc[1]. These were the last 20 in the ‘list of items reserved for exclusive manufacture in small scale’ industry (SSI).

The reservation of products for exclusive SSI manufacturing was initiated in 1967 to achieve socio-economic development of SSIs across India and to counter industrial imbalances, employment generation, increased productivity, etc. Economic reforms and liberalisation demand capacity expansion and technology up-gradation of MSMEs to overcome various challenges pertaining to sustenance, which further demanded gradual de-reservation of exclusive manufacturing list to encourage the sector towards modernisation and augment competitiveness and rise up the value chain in times of globalisation[2].

Thus the de-reservation of the last 20 items indicates GoI determination towards pushing Indian MSME sector to become global players and transform the country into an export hub. Of course, the competition shall be pressurised with giants descending. However, on the brighter side, the move has paved way towards capacity expansion of existing MSMEs. The move is aimed to prepare MSMEs to not just survive but to thrive.

Raising MSME investment limit, April 20, 2015

Another initiative of GoI to thrust growth in MSME sector is to raise investment limit in manufacturing and services industry. The depreciation of Indian national rupee and the pressing inflation desperately calls for raising the investment cap. The concern is well deliberated and a bill was introduced in Lok Sabha (lower house of the Parliament) on April 20, 2015, proposing to raise investment limit in manufacturing and services industry both in MSME sector[3].

MSMED Act, 2006, prescribes investment limit in plant and machinery in micro manufacturing units to be Indian national rupees (INR) 2.5 million, in small units is INR 50 million and INR 100 million in medium units. The 2015 bill proposes to raise investment limit in micro manufacturing enterprises to INR 5 million, small enterprises to INR 100 million and medium enterprises to INR 300 million. The abstract behind the move is expansion of the sector[4].

MSMEs are very cautious and willingly maintain their smaller size. The government aims to push enterprises out of this comfortable zone and usher them to growth. The prime reason why MSMEs do not focus on investment or expansion is the benefits they derive owing to their smaller size. There are end number of subsidies and benefits directed towards MSME sector. Growing in size would imply deprivation of these benefits. Besides, there are complex labour laws for large size enterprises that shall be adhered, which tremendously discourage MSMEs from expanding into large units. Thus, the amendment is largely welcomed as it will spur growth and bring capital inflow in the sector.

1 http://www.dcmsme.gov.in/publications/reserveditems/Gazette_india-15.pdf
2 http://msme.gov.in/WriteReadData/DocumentFile/ANNUALREPORT-MSME-2013-14P.pdf
3 http://www.prsindia.org/billtrack/the-micro-small-and-medium-enterprises-development-amendment-bill-2015-3750/
4 http://pib.nic.in/newsite/PrintRelease.aspx?relid=112840

Table 10. Comparison of old and new plant and machinery investment limits for manufacturing units (in INR)

Size of Enterprise	MSMED Act, 2006	MSME Bill, 2015
Micro	Up to 2.5 million	Up to 5 million
Small	From 2.5 million to 50 million	From 5 million to 100 million
Medium	From 50 million to 100 million	From 100 million to 300 million

Source: *www.prsindia.org*

Table 11. Comparison of old and new investment limits for services enterprises (in INR)

Size of Enterprise	MSMED Act, 2006	MSME Bill, 2015
Micro	Up to 1 million	Up to 2 million
Small	From 1 million to 20 million	From 2 million to 50 million
Medium	From 20 million to 50 million	From 50 million to 150 million

Source: *www.prsindia.org*

Online MSME Job Portal, June 15, 2015

In an attempt to help the MSME sector find skilled human resource, Government of India has launched an 'Employment Exchange for Industries'. The portal serves job seekers and employers both. The portal offers the service free of any charge or fees[5].

It is a job search portal in line with Prime Minister's vision of triple-campaign – Digital India, Skill India and Make in India, MSME Union Minister Kalraj Mishra opines. Special Secretary in the MSME Ministry, Amarendra Sinha was reported saying, 'It is a game changer. It took over an year to prepare this portal. Currently this is only for manufacturing sector. Job seekers will not have to pay any fee[6].

Online Udyog Aadhaar Form making MSME Registration easier, June 30, 2015

Out of around 36 million MSMEs in India, 1.56 million units alone are registered, thus 96% of MSMEs making the unorganised sector. The government has initiated Online Udyog Aadhaar Form, a mechanism to encourage MSMEs register themselves and grow number of organised MSMEs and improve the ease of doing business[7].

Udyog Aadhaar Form is an online registration process for MSMEs through a single window clearance doing away with the earlier cumbersome procedure. The form is prepared on recommendations from Kamath Committee on Financial Structure of MSME Sector. It allows an entrepreneur to register as an MSME with her/his aadhaar identity[8].

The filing of Entrepreneur Memorandum-I and -II as prescribed by MSMED Act, 2006, is a challenge for entrepreneurs owing to the unfriendly ecosystem of District Industry Centres, which is responsible for the registration of MSMEs. The manual registration process is uncourtly for investors. The online registration process is aimed to offer any time 24×7 registration.

5http://www.eex.dcmsme.gov.in/Home.aspx
6http://tech.economictimes.indiatimes.com/news/internet/government-launches-job-portal-for-msme-sector/47676284
7http://www.msme.gov.in/UA/UdyogAadhar.aspx
8http://www.smetimes.in/smetimes/editorial/2015/Jun/30/msme-registration-gets-easier632470.html

ONICRA RATED ENTITIES

Profile of ONICRA-Rated MSMEs (For the Period from April 01, 2015 to June 30, 2015)

The benefit of getting an MSME unit credit rated goes beyond procuring finance at competitive rates. While drawing business from a client located in dispersed geographies or from large corporate and multinationals, the rating exercise also serves as an independent due diligence activity. Further, ONICRA examines MSME units based on various parameters and provides an insight on the shortcomings and highlight areas that require further improvement. Large number of SMEs have benefitted on account of the ratings assigned, which has also led ONICRA to achieve a significant growth in the number of ratings assigned.

Figure 8. Industry wise Distribution of Ratings Assigned

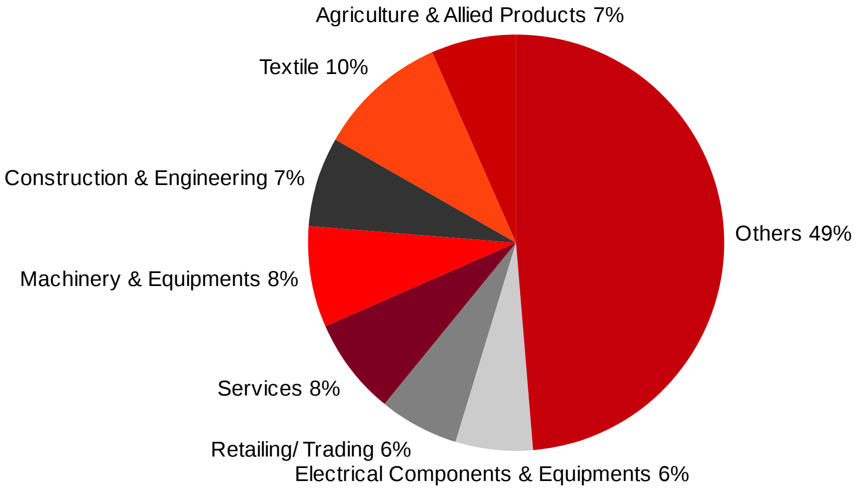


Table 12: Rating Wise Distributions

Rating	Q2 FY15 (In %)	Q3 FY15 (In %)	Q4 FY15 (In %)	Q1 FY16 (In %)
SE 1A	0.12	0.00	0.11	0.00
SE 1B	0.67	0.27	0.34	0.19
SE 1C	0.70	0.41	0.27	0.33
SE 2A	1.45	1.55	1.38	1.35
SE 2B	10.60	8.49	8.31	5.53
SE 2C	12.63	13.42	13.37	10.56
SE 3A	4.81	5.43	4.67	2.98
SE 3B	34.22	37.17	41.38	41.44
SE 3C	15.37	15.07	17.97	18.14
SE 4A	0.33	1.23	0.04	0.14
SE 4B	16.61	14.93	11.30	18.28
SE 4C	2.49	2.01	0.84	1.07
Total	**100.00**	**100.00**	**100.00**	100.00

NSIC-ONICRA Rating Definition

NSIC-Onicra Rating reflects Onicra's opinion on the company's performance capability and financial strength. Ratings are assigned on the scale given below.

Performance Capability	Financial Strength		
	High	**Moderate**	**Low**
Highest	SE1A	SE1B	SE1C
High	SE2A	SE2B	SE2C
Moderate	SE3A	SE3B	SE3C
Weak	SE4A	SE4B	SE4C
Poor	SE5A	SE5B	SE5C

Table 13. Geographical Distribution of Rating Assigned

State / Union Territory	Q2FY15	Q3FY15	Q4FY15	Q4FY16
	(%)	(%)	(%)	(%)
Andaman and Nicobar Islands	0.04	0.00	0.04	0.05
Andhra Pradesh	3.77	4.79	3.68	2.70
Arunachal Pradesh	0.00	0.00	0.00	0.00
Assam	2.49	2.28	3.95	1.63
Bihar	0.70	1.00	2.64	2.79
Chandigarh	0.08	0.09	0.19	0.14
Chhattisgarh	0.12	0.46	0.61	0.23
Dadra and Nagar Haveli	0.00	0.00	0.00	0.05
Daman and Diu	0.00	0.00	0.08	0.09
Delhi	3.15	1.96	1.42	2.65
Goa	0.00	0.00	0.00	0.09
Gujarat	3.36	2.97	2.61	2.70
Haryana	1.49	1.60	1.38	1.63
Himachal Pradesh	0.37	0.27	0.11	0.05
Jammu & Kashmir	0.04	0.05	0.00	0.00
Jharkhand	0.04	0.23	0.96	0.74
Karnataka	9.49	10.91	10.77	8.42
Kerala	0.08	0.00	0.15	0.00
Lakshadweep	0.04	0.00	0.00	0.00
Madhya Pradesh	4.72	4.61	4.67	2.74
Maharashtra	7.29	11.00	11.42	14.56
Manipur	5.92	2.74	2.15	2.05
Meghalaya	0.00	0.05	0.00	0.05
Mizoram	0.00	0.00	0.00	0.00
Nagaland	0.00	0.00	0.00	0.00
Odisha	3.27	4.16	3.52	0.74
Puducherry	0.00	0.00	0.00	0.00
Punjab	3.81	4.16	2.76	4.19
Rajasthan	3.69	3.56	3.18	3.58
Sikkim	0.00	0.00	0.00	0.00
Tamil Nadu	12.05	13.01	12.68	14.70
Telangana	3.48	2.83	3.37	5.07
Tripura	0.37	0.68	0.54	0.19
Uttar Pradesh	10.98	9.59	11.03	11.21
Uttarakhand	3.11	2.83	3.10	4.05
West Bengal	16.03	14.16	12.99	12.88
Total	**100.00**	**100.00**	**100.00**	**100.00**

ABOUT ONICRA

ONICRA Credit Rating Agency of India Limited is one of the leading Performance and Credit Rating Agency of India. It provides ratings, risk assessment and analytical solutions to individuals, MSMEs and Corporates. Third party credit and performance rating and assessment help to create ‘trust’ between players in markets that underpins transactions.

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