

70% listed firms likely to qualify for MSME sops

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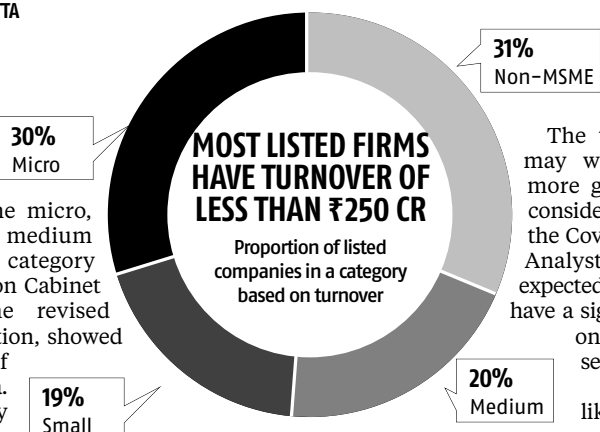
Nearly 70 per cent of the listed universe could now be part of the micro, small and medium enterprises category after the Union Cabinet approved the revised MSME definition, showed an analysis of their sales data. With this, they could become eligible for government benefits.

The Cabinet on Monday had cleared reclassification of medium-scale companies as those with ₹50 crore investment and ₹250 crore of turnover, up from ₹20 crore and ₹100 crore, respectively.

There are 4,643 listed companies for which data is available with corporate data provider Capitaline. Around 20 per cent would fall within the definition under the turnover limit for medium enterprises. Another 19 per cent would fall under small, and 30 per cent under micro enterprises.

Not all companies have declared results for the financial year ended March 2020 (FY20). Turnover figures for the previous year were used in case FY20 numbers were unavailable.

There are additional criteria on investments into such firm and exclusion of certain kinds of turnover, but these back-of-the-envelope numbers give a broad sense of the expansive nature of the



Note: Based on FY20 results where available and on FY19 figures where results awaited
Source: Capitaline, Business Standard calculations

new definition.

"It has also been decided that the turnover with respect to exports would not be counted in the limits of turnover for any category of MSME units, whether micro, small or medium," the note said.

Companies which fall under the definition of an MSME have the advantage of requiring payments within a fixed time period, besides government support, noted Gaurav N Pingle, a Pune-based company secretary. "There would be many benefits," he said.

The Cabinet on Monday approved ₹20,000 crore in capital for stressed MSMEs. It expects the move to help 200,000 enterprises.

It also mentioned other steps such as a preference to MSMEs by disallowing global tenders in procurements of up to ₹200 crore. The government and public sector units have to clear their dues in 45 days. Steps to assist the seg-

ment had been announced previously as well.

The turnover limits may well seem even more generous if one considers the impact of the Covid-19 pandemic. Analysts have widely expected the lockdown to have a significant impact on the turnover of several companies.

India's GDP is likely to contract 2 per cent in FY21, according to the India Economic Watch research report (June 1) by financial services firm Bank of America Corporation. A month of continued slowdown will cost it 100-200 basis points (1-2 per cent) in growth, according to India Economists Indranil Sen Gupta and Aastha Gudwani.

"The government has extended the nationwide lockdown to June 30 with further relaxations (as Unlock 1.0). We estimate a month's slowdown will cost 100-200 bps of GDP and the six-week restart to shave off ₹60 bps. If the economy is kept in a semi lockdown phase until a vaccine is found, India's GDP will likely contract by 5 per cent in FY21," it said.

The government statement on the enhanced threshold stated that there are more than 60 million MSMEs and they account for 29 per cent of the country's gross domestic product (GDP), a measure of economic activity. They contribute to almost half of India's exports and employ 110 million people.