



ICAI Nagpur Branch (WIRC)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

ICAI MSME Mahotsav

On the Theme Ek Din MSME ke Naam

4 Hours
CPE

Organized by: **Committee on MSME and Startup, ICAI**
& Hosted by: **ICAI Nagpur Branch (WIRC)**

Day & Date : Friday, 27th June 2025
Time : 2:00 PM to 6:00 PM

Venue: ICAI Bhawan, Dhantoli, Nagpur



CA. Charanjot Singh Nanda
President, ICAI



CA. Prasanna Kumar D
Vice-President, ICAI



CA. Julfesh Shah
Past Vice Chairman, WIRC
Chief Guest



Key Note Speaker
Shri Gajendra Bharti
Joint Director of Industry



CA. Gyan Chandra Misra
Chairman
Committee on MSME, ICAI



CA. Arpit Kabra
Vice Chairman
Committee on MSME, ICAI

Booth/ Helpdesk available where you can go and
discuss your MSMEs related query

Help Desk 1:
Chartered Accountant
for Banking Start
Up Services



Help Desk 2:
Bank

Help Desk 3:
SIDBI

Help Desk 4:
Chartered Accountant -
DIC/Udyam Registration



Speaker:
CA. Satish Sarda
Topic: MSME Samadhan -
A Mechanism for Recovery
of Delayed Payments



Speaker:
CA. Yashwant Bhojwani
Topic: Various Government
Schemes for MSMEs



Speaker:
CA. Neha Kandalkar
Topic: Various Banking
Finance Scheme for MSMEs

CA SATISH SARDA




MSME Samadhan

A Mechanism for Recovery of Delayed Payments

SPEAKER

CA SATISH SARDA

MICRO & SMALL ENTERPRISE FACILITATION COUNCIL (MSEFC)



Under the MSMED Act, 2006, the Micro & Small Enterprise Facilitation Council (MSEFC) plays a crucial role in protecting Micro and Small Enterprises (MSEs) from delayed payments by buyers. It provides a legal framework for timely settlement and dispute resolution, facilitating the development, promotion, and competitiveness of MSEs across India.



Purpose and Objectives

Purpose

To protect Micro and Small Enterprises (MSEs) from delayed payments by buyers. It provides a legal framework for timely settlement and dispute resolution.

Objective

Facilitate the development, promotion, and competitiveness of MSEs across India. This is achieved by ensuring timely payments and legal safeguards.

Key Definitions Under the Act

Term	Definition
Appointed Day	Day after 15 days from acceptance or deemed acceptance of goods/services.
Day of Acceptance	Day goods/services are delivered or objections resolved by supplier.
Deemed Acceptance	If no written objection within 15 days, delivery day is acceptance.
Buyer	Person/entity buying goods/services for payment.
Enterprise	Any industrial undertaking/business engaged in manufacturing or production (as per 1st Schedule of IDR Act, 1951) or rendering services.
Goods	All kinds of movable property, excluding actionable claims or money.
Supplier	<p>A Micro or Small Enterprise that has filed a memorandum under the MSMED Act.</p> <p>Includes organizations like NSIC, MSSIDC, companies, societies, trusts, or anybody engaged in selling goods/services of micro and small enterprises.</p>

Understanding Sections of the MSMED Act

1. Payment Obligation – Section 15

Particulars	Provisions
Who is liable	Buyer of goods or recipient of services from MSE
Time limit for payment	<ul style="list-style-type: none">- As per written agreement (max 45 days)- If no agreement: within 15 days from acceptance or deemed acceptance of goods/services
Maximum period allowed	45 days from date of acceptance or deemed acceptance

2. Interest on Delayed Payment – Section 16

Particulars	Provisions
When applicable	If buyer fails to pay within time as per Section 15
Rate of interest	Three times the bank rate notified by RBI
Type of interest	Compound interest with monthly rests

3. Recovery of Dues – Section 17

Particulars	Provisions
Buyer's liability	Pay principal + interest as per Sections 15 & 16
Scope	Applies to goods supplied or services rendered

4. Dispute Resolution – Section 18

Stage	Description
Reference to Council	Either party may refer the dispute to the Facilitation Council
Conciliation	Council may conduct conciliation or seek help from authorized ADR institutions as per Sec 65–81 of A&C Act
Arbitration	If conciliation fails, the Council may initiate arbitration or refer to ADR centres under Sec 7 of A&C Act
Timeline	Dispute must be resolved within 90 days from the date of reference
Jurisdiction	Jurisdiction lies with the Council where the supplier is located (regardless of buyer's location)

Example: Supplier in Nagpur vs. Buyer in Kolkata – Proceedings will be held in Nagpur.

5. Appeal Against Council Award – Section 19

Particulars	Provisions
Appeal condition	Buyer (not being supplier) must deposit 75% of award amount with the court
Supplier withdrawal allowed	Court may permit supplier to withdraw a reasonable portion, with conditions as deemed fit

6. Annual Disclosure Requirements – Section 22

Disclosure in Accounts	Requirements
(i) Outstanding payments	Amounts due to MSEs along with interest payable
(ii) Interest actually paid	Disclosure of interest paid to MSEs during the year



7. Overriding Effect – Section 24

Particulars	Provisions
Priority of Act	Provisions of Sections 15 to 22 will override any inconsistent provisions in other laws

8. Powers of Appointed Officers – Section 26

Appointing Authority	Central / State Government
Role of officer	Carry out duties under the Act; may require persons to furnish prescribed information

9. Penalties for Non-Compliance – Section 27

Offence	Penalty
Contravention of Section 8 or 26 (first offence)	Fine up to ₹1,000
Subsequent contraventions of Section 8 or 26	Fine up to ₹10,000
Non-disclosure under Section 22 (by buyer)	Fine up to ₹10,000

Compliance Summary for Buyers

Compliance Requirement	Applicable Section
Timely payment to MSEs (within 45 days max)	Section 15
Pay interest on delays (3× RBI bank rate)	Section 16
Disclose outstanding dues and interest in annual accounts	Section 22
Cannot appeal award without 75% deposit	Section 19
Interest paid not deductible under Income Tax Act	Section 23

If No Compromise is Reached

Stage	Description
Online Reference Filing	You initiate the complaint against the defaulting buyer via MSME Samadhaan portal.
Attempted Compromise	Both parties are encouraged to settle the matter amicably at this stage.
Physical Reference to MSEFC	If no compromise is reached, a physical reference is filed with the Hon'ble MSEFC Bench.
Conciliation & Arbitration	The MSEFC begins conciliation. If not resolved, arbitration proceedings follow.
Final Award	A legally enforceable award is passed by the MSEFC if no resolution is found.



Flexibility to Withdraw at Any Stage

- One of the most **business-friendly** features of this process is the **option to settle amicably** at any stage.
- If both parties arrive at a **compromise, an application for withdrawal** can be submitted — even during conciliation or arbitration. This encourages resolution without prolonging disputes

Essential Contents in Reference/Petition to be Filed before MSEFC

- Details of Online reference & Local IFC number
- Full particulars of supplier & buyer
- Supplier status, as micro/small
- Details of goods/services supplied
- Terms of payment
- Actual payment received with dates
- Amount Due as per invoice or ledger
- Interest calculations as per section
- Letter correspondence for recovery or any legal action taken
- Relief sought
- Summary sheet may help for information at a glance

CLAIM STATEMENT SUBMISSION GUIDELINES (SUPPORTED BY AFFIDAVIT)

Important Instructions:

➤ Simultaneous Service to Buyer

The applicant must send a copy of the reference along with all supporting documents to the buyer against whom the reference is made.

Ensure **proof of delivery** is obtained and submit the delivery track record to the **Internal Facilitation Centre (IFC)** without delay.

➤ No Parallel Proceedings

Please note that **parallel legal proceedings (e.g., Civil Suits) on the same matter will not be entertained** by the Micro and Small Enterprises Facilitation Council (MSEFC).

Exception: This restriction **does not apply to criminal proceedings**.




SUPREME COURT JUDGMENT

- **Case:** *M/S SILPI INDUSTRIES VS. KERALA STATE ROAD TRANSPORT CORPORATION & ANR.* (Dated 29.06.2021)
- **Key Takeaway:**
Registration under the **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006** must be active and valid on the date of supply of goods or services for the claim to be maintainable.
- **Limitation Period Applicability:**
The **Limitation Act, 1963**, applies to all proceedings under the **MSMED Act, 2006**.
- **Professional Advisory:**
This landmark judgment has significant implications for practitioners and professionals.
It is **strongly recommended to thoroughly study and understand this ruling** to ensure compliance and effective handling of MSME-related disputes

KEY POINTS BEFORE UPLOADING A CASE ON


Online Portal: samadhan.msme.gov.in

- Please verify the applicant's status as a Micro or Small Enterprise through the MSME registration only. Do not accept other registrations such as Gumasta or GST.
- Kindly prepare scanned copies of all relevant invoices and purchase orders.
- Note that the online portal allows uploading a maximum of five invoices. If there are more than five invoices, please compile the additional invoices into an annexure and upload accordingly.
- Verify a copy of the supply order along with the payment terms mentioned therein.
- Check whether the payment terms violate the provisions of the Act (e.g., payments exceeding 45 days) as per the agreed conditions.
- When uploading on the online portal, enter only the outstanding principal amount; interest should not be included.

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- Confirm proof of delivery of goods or services, such as LR/RR or transport receipts.
 - Verify if there is any written communication from the buyer regarding quality issues or disputes. If so, ensure there is proof of rectification or resolution by the supplier.
 - Determine if there is any outstanding principal amount due to the supplier. If the principal balance is nil, assess whether a claim solely for interest is maintainable.
 - Calculate the delay period from the date of supply to the date of payment.
 - Determine the total amount due to the supplier (principal plus interest) and make claims accordingly.
 - Oral Purchase/Work Order : Affidavit must be filed with Application

GENERAL PROCEDURE FOLLOWED BY MSEFC UNDER THE MSMED ACT, 2006

Step		Procedure
1	Issuance of Notice	If the reference is in order, MSEFC issues notice to the buyer (non-applicant) under Section 18.
2	Submission of Buyer's Response	Buyer must respond with detailed reply within 15 days (extendable by 15 days with cause).
3	Preliminary Scrutiny	Chairman examines the reference and reply; if a prima facie case exists, it's placed before the Council.
4	Ex-Parte Proceedings	If the buyer does not respond or is untraceable, proceedings continue ex-parte and award is passed.
5	Conciliation Process	Conciliation is initiated by the Council or its appointed agency under Arbitration & Conciliation Act.



Step		Procedure
6	Arbitration Proceedings	If conciliation fails, arbitration proceedings are conducted by the Council or its appointed agency.
7	Issuance of Arbitration Award	Arbitration award is passed by majority; parties may appear in person or through counsel.
8	Compromise or Settlement	If compromise occurs, withdrawal application can be filed at any stage.
9	Execution of Award	If the buyer fails to pay the award, the supplier can apply to civil court for execution (attachment of buyer's property).
10	Challenge to the Award	Buyer can challenge the award only after depositing 75% of the award amount; supplier can claim this from court.

REVISED DEFINITION OF MSMES (EFFECTIVE FROM 01.07.2020)

The Central Government has redefined **Micro, Small and Medium Enterprises (MSMEs)** based on a composite criterion of investment in plant & machinery/equipment and turnover, applicable to both manufacturing and service sectors:

Type of Enterprise	Investment		Turnover	
	Effective from 01.07.2020	Effective from 01.04.2025 (Revised)	Effective from 01.07.2020	Effective from 01.04.2025 (Revised)
Micro	Not exceeding Rs.1 Crore	Not exceeding Rs. 2.5 Crore	Not exceeding Rs. 5 crore	Not exceeding Rs. 10 crore
Small	Not exceeding Rs.10 Crore	Not exceeding Rs. 25 Crore	Not exceeding Rs. 50 crore	Not exceeding Rs. 100 crore
Medium	Not exceeding Rs.50 Crore	Not exceeding Rs. 125 crore	Not exceeding Rs. 250 crore	Not exceeding Rs. 500 crore

Note: Both criteria must be met for classification under a specific category.



Important Note on Investment Computation

- While calculating investment in Plant & Machinery or Equipment, the following **costs are excluded**:
- Pollution control devices
- Research & Development (R&D) expenses
- Industrial safety devices

File Reference Online – Simple & Transparent

- To make the process efficient and accessible, the Government provides an **online dispute redressal mechanism** through the **MSME Samadhaan Portal**:
-  <https://samadhaan.msme.gov.in>



THANK YOU!