Introduction

The Micro, Small and Medium Enterprises (MSME) sector is a key part of the Indian economy and plays a crucial role in providing significant employment opportunities and helps in industrialization. MSME enterprises employ over 110 million people across various sectors. As per the Ministry of Commerce, the MSME share of the GDP is over 30% along with an over 40% share of exports.

Highlights

- Over the last month the SME indices have fallen in tandem with the broad market indices.
- According to Stock exchange officials, there is a strong interest from SMEs to list on the segment to access the capital market and more companies are expected to be listed in 2018.
- March 2018 has been marked by a slew of initiatives including the launch of a new portal for women entrepreneurs and agreements with educational institutes for R&D in the MSME segment.
- The spread between interest rate charged to the MSMEs and large industry borrowers seems to have widened over the last three years.
1. Capital Market Movements

Index Movement

<table>
<thead>
<tr>
<th></th>
<th>Nifty SME Emerge Index</th>
<th>BSE SME IPO Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>28/02/18</td>
<td>1,706.69</td>
<td>1,959.47</td>
</tr>
<tr>
<td>28/03/18</td>
<td>1,640.53</td>
<td>1,854.24</td>
</tr>
<tr>
<td>% change</td>
<td>-3.9</td>
<td>-5.4</td>
</tr>
</tbody>
</table>

Source: NSE Emerge, BSE SME Platform

Upcoming IPOs

<table>
<thead>
<tr>
<th>No</th>
<th>Company Name</th>
<th>Start Date</th>
<th>End Date</th>
<th>Issue Size</th>
<th>Issue Price</th>
<th>Lot Size</th>
<th>Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AVG Logistics Limited</td>
<td>28-Mar-18</td>
<td>3-Apr-18</td>
<td>30,90,000</td>
<td>105 to 107</td>
<td>1,200</td>
<td>NSE Emerge</td>
</tr>
<tr>
<td>2</td>
<td>Narmada Agrobse Limited</td>
<td>28-Mar-18</td>
<td>11-Apr-18</td>
<td>23,40,000</td>
<td>32.00</td>
<td>4,000</td>
<td>NSE Emerge</td>
</tr>
<tr>
<td>3</td>
<td>MMP Industries Limited</td>
<td>28-Mar-18</td>
<td>4-Apr-18</td>
<td>45,00,000</td>
<td>186 to 188</td>
<td>600</td>
<td>NSE Emerge</td>
</tr>
</tbody>
</table>

Source: NSE Emerge, BSE SME Platform

2. Sectoral Deployment of Credit

Bank Credit to the MSME Sector (in Rs. bn)

Source: RBI
3. Key Developments

**NIT to ink MoU with Tanstia for development of SMEs**

The National Institute of Technology (NIT) Trichy announced plans to collaborate with Tamil Nadu Small and Tiny Industries Association (Tanstia) in the area of research and development. The Institute plans to sign MoUs with industrial bodies in Coimbatore, Hosur and Chennai to offer NIT Trichy’s expertise to the MSME customers at concessional rates. The MSMEs would also have an opportunity to commercialise the patents held by NIT Trichy.

Impact: MSMEs due to both scale as well as funding constraints are generally not able to invest in R&D activities on an effective scale. These MSME’s would be able to leverage NIT Trichy’s expertise to develop domestic solutions and gain scale in a cost effective manner.

**Udyam Sakhi Portal Launched for Women Entrepreneurs**

The MSME Ministry has launched a portal for women entrepreneurs of India: [www.udyamsakhi.org](http://www.udyamsakhi.org). India has around 8 million women who operate their own businesses and play a vital role in the growth of the Indian economy. The portal would be a network for encouraging entrepreneurship and creating business models for low cost products and services. The portal would provide entrepreneurship learning tools, incubation facility, training programs for fund raising, market survey facilities and technical assistance.

Impact: It is heartening to note that the Ministry has launched a dedicated portal focusing on developing women entrepreneurship. However, the portal seems targeted towards the educated urban female entrepreneurs as the website does not provide access in vernacular languages. Furthermore, data/ links available on the website do not seem to be updated regularly. This is a welcome development, but it is the level of commitment and monitoring that would determine a successful outcome.

**266 districts achieve target of 75 projects under PMEGP during 2016-17**

According to the MSME Ministry, during FY17, under the Prime Minister Employment Generation Programme (PMEGP), 266 districts across India achieved the target of 75 projects. The targets under PMEGP are set in terms of Margin Money allocation and a minimum number of 75 projects per district have been allocated to all the districts in the country with average Margin Money of Rs.2.00 lakhs per project (project cost Rs.8-10 lakh) to achieve inclusive growth.

Impact: It is encouraging to note that significant efforts are being undertaken for inclusive growth at a grassroots level. However, continuous monitoring would be required to ensure that not only are the businesses started but that such businesses remain on the growth path.
SIDBI and TransUnion CIBIL launch “MSME Pulse”

SIDBI along with TransUnion CIBIL announced the launch of “MSME Pulse”, a quarterly report focusing on MSME credit activity. The Report covers the credit behaviour of the MSMEs based on the data patterns drawn from TransUnion CIBIL credit bureau.

4. Other Updates

Sector-wise WALR of SCBs (Excluding RRBs) - Outstanding Rupee Loans (at which 60% or more business is contracted)

The Weighted Average Lending Rate of SCBs (Excluding RRBs) for outstanding rupee loans has generally trended down following the reduction in the MCLR. The spread between the rates for MSMEs and large borrowers had narrowed to 0.11% in March 2016, and had even turned in favour of the MSMEs for a short while. However, post September 2016, the spread between the two rates has widened significantly by 0.59% in October 2016, which reduced marginally by 0.47% in June 2017, indicating that the banks are increasing the margins on MSME loans. This increase could be due to a perceived increase in credit risk of the MSME segment on the back of challenging economic conditions and the stressed asset quality of banks.
CARE Ratings’ presence in SME related activities

SME Chamber of India hosted an event, Private Equity & Venture Capital for SMEs on 23rd March, 2018 Hotel Sofitel, BKC, Mumbai. Mr. Rajesh Mokashi, MD & CEO delivered the key note address on Credit Scoring & Rating for Faster access to SME Funding

Mr. Saikat Roy, Director & Head SME was a panel speaker at ET Markets Global Summit held on 15 March 2018 at Taj Lands End, Mumbai.