Dear Sir / Madam,

Investment in plant and machinery for the purpose of classification as Micro, Small and Medium Enterprises – documents to be relied upon

Please refer to our Master Direction FIDD.MSME&NFS.3/06.02.31/2016-17 dated July 21, 2016 on ‘Lending to Micro, Small & Medium Enterprises (MSME) Sector’ together with notification No. S.O. 1722(E) dated October 5, 2006 issued by Ministry of MSME, GoI, New Delhi. In terms of para 2 of the said notification, while calculating the investment in plant and machinery, the original price thereof, shall be taken into account, irrespective of whether the plant and machinery are new or second hand.

2. In this regard, Ministry of MSME, GoI, vide their Office Memorandum (OM) F. No. 12(4)/2017-SME dated March 8, 2017, have clarified that for ascertaining the investment in plant and machinery for classification of an enterprises as Micro, Small and Medium, the following documents could be relied upon:

(i) A copy of the invoice of the purchase of plant and machinery; or

(ii) Gross block for investment in plant and machinery as shown in the audited accounts; or

(iii) A certificate issued by a Chartered Accountant regarding purchase price of plant and machinery.
3. Further, the Ministry has clarified that for the investment in plant and machinery for the purpose of classification of an enterprise as Micro, Small or Medium, the purchase value of the plant and machinery is to be reckoned and not the book value (purchase value minus depreciation).

4. In terms of OM F. No. 12(4) / 2017 – SME dated May 31, 2017, issued by the Ministry, the effective date for the above provision would be from the date MSMED Act, 2006 came into force and not prospectively. Further, the above provisions would be applicable to section 7 (1) (a) and section 7 (1) (b) of the MSMED Act, 2006 i.e. enterprises engaged in manufacturing of goods and rendering of services as well.

Yours faithfully

(Uma Shankar)
Chief General Manager-In-Charge