



**“What’s
New?”**

June 11, 2020

“Major changes with respect to definition of Micro, Small and Medium Enterprises”

Ministry of Micro, Small and Medium Enterprises has issued notification which seeks to increase the threshold criteria for classification of Micro, Small and Medium Enterprises (MSME) and made certain other changes. These changes are summarised in next pages.

Source: MSME Notification F. No. 2/1(5)/2019-P&G/Policy (Pt.-IV), dated June 01, 2020



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Key changes

- Earlier the categorization for MSME was based only on the amount of investment in Plant and Machinery (P&M) or equipment. Now, as per Notification, “turnover” has been included as an additional condition. Classification is now done on both investment (in P&M or equipment) and annual turnover.
- Also the distinction between the manufacturing and the services sectors under the MSME definition has been removed.

(Amounts in INR Million)

Existing MSME Classification as per MSME Development Act, 2006				
Criteria	Classification	Micro	Small	Medium
Manufacturing	Investments in P&M	Upto 2.5	More than 2.5 but upto 50	More than 50 but upto 100
Services	Investments in Equipment	Upto 1	More than 1 but upto 20	More than 20 but upto 50
Revised MSME Classification as per MSME notification w.e.f. July 1, 2020				
Criteria	Classification	Micro	Small	Medium
Manufacturing	Investments in P&M or Equipment	Upto 10	Upto 100	Upto 500
and	and	and	and	and
Services	Turnover	upto 50	upto 500	upto 2500

The above changes will be effective from July 1, 2020.

Few situations for classification under amended law

S. No.	Situation		Result	Remarks
	Investment	Turnover		
1	INR 1 Million	INR 40 Million	Micro	--
2	INR 9 Million	INR 100 Million	Small	This will not be a Micro enterprise as turnover exceeds 50 Million
3	INR 200 Million	INR 400 Million	Medium	This will not be a Small enterprise as investments exceeds 100 Million

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