

**Submitted to :**

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- 2. Dr. Chandrapal I.A.S, Secretary MSME, Ministry of MSME, GOI.  
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We refer to the Section 25 of the MSMED Act 2006 which states that “Notwithstanding anything contained in any Law for the time being in force, the Central Government may with a view of facilitating closure of business by a Micro Small or Medium Enterprise, not being a company registered under the companies Act, 1956, notify a scheme with in one year from the commencement of this Act”. We hope that Ministry of SSI might be working on this scheme at this stage so that the scheme is announced before 2<sup>nd</sup> Oct. 2007.

Keeping in view the importance of the scheme Indian Industries Association (IIA) have discussed the matter in several meetings and would like to submit the following recommendations for inclusion in the scheme :-

1. The proposed scheme is likely to be made applicable only to Non Corporate entities i.e. Pvt Ltd and Public Ltd companies will not be covered. IIAe feel that **the proposed scheme should be made applicable to all the units which fall within the ambit of the act i.e. ALL Micro, Small and Medium Scale industries** irrespective of their legal status. However, the scheme may provide that its provisions will apply only for closure of business and as far as closure of company is concerned, the provisions of The Companies Act will continue to apply.
2. Continuous Loss for 3 years should be a sufficient ground for closure of the unit in case it wishes to close, and the Audited Final Accounts supporting the figures should be accepted as conclusive.
3. In case newer technologies have emerged in the area of business of the unit and the unit is not keen on making investments for upgrading the technology without which its future prospects may not be bright, the unit should be allowed to close down its business.
4. Once a notice of closure has been given to the concerned/notified authorities for closure of business, it should be considered as the deemed date of closure and any dues, particularly on account of workmen employed, should stop accruing beyond this date.
5. The act deals with Three different category of units viz. Micro, Small and Medium, which would greatly differ in their scale and size. There should be separate set of rules for deciding the compensation payable to workmen and also its mode/plan of payment. We should propose compensation aggregating to

7/10/15 days of wages for every completed year of service for Micro, Small & Medium Scale units respectively and also that the following payment schedule may be notified to make the said compensation payment :-

SN		Micro	Small	Medium
1.	Down Payment	5%	10%	20%
2.	Ist Installment within 3 months	10%	20%	20%
3.	2 <sup>nd</sup> Installment within 6 months	15%	20%	20%
4.	3 <sup>rd</sup> Installment within 9 months	30%	25%	20%
5.	4 <sup>th</sup> Installment within 12 months	40%	25%	20%

There should be a cap on compensation which should not exceed three months wages in case the closure of the unit is being warranted due to unavoidable reasons which are beyond control e.g. death/illness of the person responsible for the affairs of the unit; problems in getting the raw material due to external reasons; change of government policy making the unit unviable permanently; insolvency of the promoter.

6. Even for more than 300 workers if enterprise falls in MSME Sector, the unit should be allowed to be closed without asking any question provided the enterprise is ready to pay the dues as per Law related to Labour, P.F, ESI etc.
7. There is no restriction to launch an enterprise and no one would like to close down the profitable business. Therefore, there should not be any restriction to close down the enterprise for whatever reason.

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