



M/s PRANJAL JOSHI & CO
CHARTERED ACCOUNTANTS

Office No. 9, Suvan Apartments, Opp. Jog High School, HDFC Bank Building, Mayur Colony, Kothrud, Pune – 411 038. Tel – 020 – 25 43 02 76, Mob: 98500 35736, pranjal@capranjaljoshi.com

Start Ups and MSME Registration

Background and Introduction –

Micro Small and Medium Enterprises (MSME) sector has emerged as a very vibrant and dynamic sector of the Indian economy. The Micro, Small and Medium Enterprises Development Act (MSMED Act) was notified in 2006. Before 2006, small scale registration certificate used to be issued by respective District Industries Centres (DICs). After 2006 this was changed to Entrepreneurs Memorandum (EM-I) for such enterprises that are yet to commence operation and EM-II for enterprises having commenced operations. The 2006 Act also widened that definition of entities from “industries” to “enterprises” to take into account service sector also. Such Memoranda were to be filed with the respective DICs.

Thereafter The Ministry of Micro, Small & Medium Enterprises has notified the guidelines for online filing of Udyog Aadhaar Memorandum (UAM)

The UAM has emerged from the vision of Hon’ble Prime Minister of India shared with the Nation through “Mann Ki Baat” telecast on 03-10-2014 and the recommendations for Universalization of Registration in the Report of the Kamath Committee on Financial Architecture of MSME sector.

Classification of MSME –

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

(a) Manufacturing Enterprises –

The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

(b) Service Enterprises –

The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.



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The limit for investment in plant and machinery/equipment for manufacturing / service enterprises are as under:

Enterprises	UAM CATEGORY	Type	Investment in plant & machinery/equipment
Micro Enterprises	A	Manufacturing	Does not exceed 25 lakh rupees
	D	Service	Does not exceed 10 lakh rupees
Small Enterprises	B	Manufacturing	More than 25 lakh rupees but does not exceed 5 crore rupees
	E	Service	More than 10 lakh rupees but does not exceed 2 crore rupees
Medium Enterprises	C	Manufacturing	More than 5 crore rupees but does not exceed 10 crore rupees
	F	Service	More than 2 crore rupees but does not exceed 5 crore rupees

Udyog Aadhaar Memorandum –

As per the recommendations made by Kamath Committee, the Ministry of MSME, in consultation with the National Board of MSMEs and the Advisory Committee in this behalf, has prepared a one-page registration form that would constitute a self- declaration format under which the MSME will self-certify its existence, bank account details, promoter/owner’s Aadhaar details and other minimum basic information required.

Based on the same, the MSMEs can be issued online, a unique identifier i.e. Udyog Aadhaar Number.

Benefits of filing Udyog Aadhaar Memorandum –

Benefits include cheap and faster credit (funding), eligibility for applying under government schemes, Statutory support such as reservation and the Interest on Delayed Payments Act is also available.