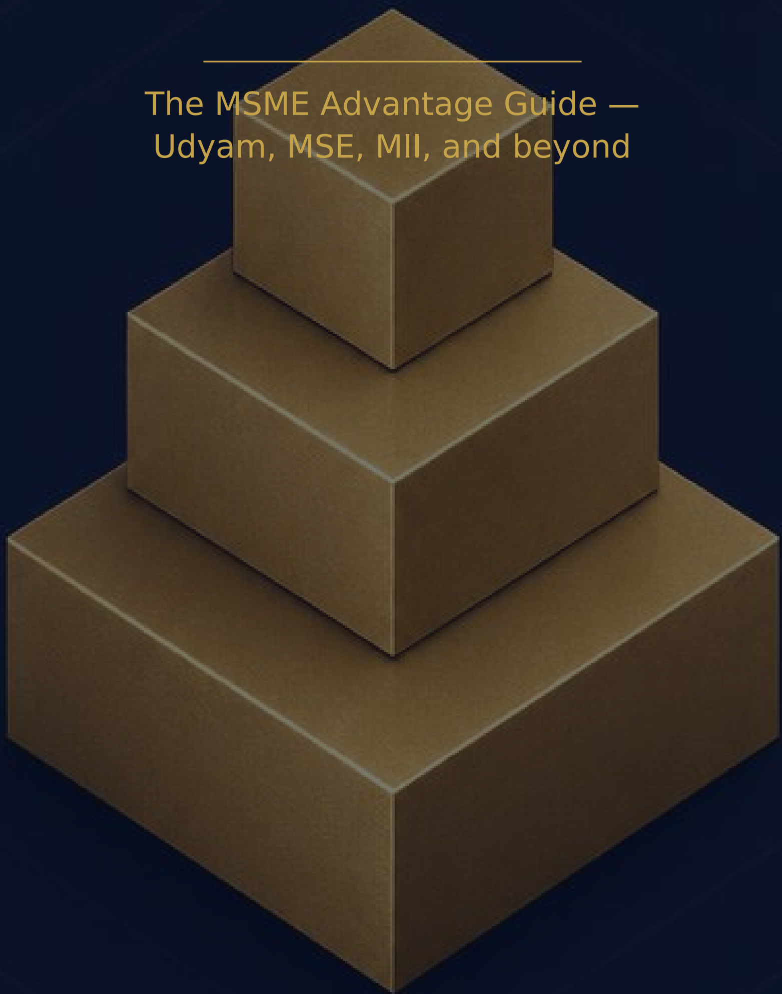
INDIA PROCURE · WHITEPAPER

Stacking Government Schemes with GeM

The MSME Advantage Guide —
Udyam, MSE, MII, and beyond



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1. The stacking principle

Most MSMEs treat government schemes as separate boxes to tick. The reality: each scheme modifies the others. Registered right, an MSE can layer benefits so that a single GeM tender becomes materially more profitable than the same tender for a non-MSE competitor.

This guide maps the entire stack — Udyam at the base, GeM as the revenue channel, and 8 policies on top that a well-informed MSE can compound.

2. Layer 0 — Udyam Registration

Everything begins with Udyam. Without it, none of the stack unlocks.

- Free, online, 15 minutes at udyamregistration.gov.in.
- Uses your Aadhaar + PAN + GST auto-fetch.
- Classifies you as Micro, Small, or Medium based on Investment + Turnover.
- Auto-renews annually; keep your ITR + GSTR-3B up to date so the auto-classification stays accurate.

Classification thresholds (2026):

Category	Investment (Plant & Machinery)	Turnover
Micro	≤ ₹1 crore	≤ ₹5 crore
Small	≤ ₹10 crore	≤ ₹50 crore
Medium	≤ ₹50 crore	≤ ₹250 crore

Note: For Micro & Small (MSE) benefits, both criteria must be met.

Sub-classifications that unlock further benefits:

- Women-owned enterprise — 51%+ ownership by women.
- SC/ST-owned enterprise — 51%+ ownership by SC or ST individual(s).
- Startup (DPIIT recognition, separately obtained at startupindia.gov.in).

Tick every applicable sub-classification. Each opens a sub-reservation.

3. Layer 1 — MSE benefits on GeM

Once your Udyam is verified on GeM, these activate automatically:

EMD Exemption

Micro & Small Enterprises are exempt from Earnest Money Deposit on most tenders. This alone frees up working capital — a ₹50L bid otherwise needs ₹1-2L EMD locked for months.

Price Preference (15% band)

If an MSE bid is within 15% of L1 (a non-MSE), the MSE gets the right to match L1 and take 25% of the order value at L1's price.

Worked example:

- Tender value: ₹1 Cr
- Non-MSE L1: ₹92 lakh
- Your MSE bid: ₹1.02 Cr (10.9% above L1, inside the 15% band)
- You match ₹92L and take ₹25L of the order at that price
- L1 gets the remaining ₹75L

Without invoking the benefit, you'd have lost outright.

Reservation for MSEs

- Tenders up to ₹200 crore are reserved for MSEs (with limited exceptions for specialised items).
- Within that: 4% sub-reservation for SC/ST MSEs.
- Within that: 3% sub-reservation for Women MSEs.

25% Mandatory MSE Procurement

Every Central Ministry, PSU, and Department must procure ≥ 25% of its annual value from MSEs. Of that:

- 4% from SC/ST-owned MSEs
- 3% from Women-owned MSEs

Departments falling short chase MSE sellers actively toward year-end (Jan–Mar). Bid aggressively in Q4.

4. Layer 2 — PPP-MII 2017 (Make in India Preference)

The Public Procurement (Preference to Make in India) Order 2017 layers on top of MSE benefits. Every GeM bid asks you to declare:

- Class-I Local Supplier — local content ≥ 50%
- Class-II Local Supplier — local content 20-50%
- Non-Local Supplier — < 20%

Class-I gets absolute preference. In many tenders, only Class-I bidders are considered if there is sufficient Class-I supply.

If you manufacture in India, invest 30 minutes in a proper Local Content Certificate from a Statutory Auditor / CA — it's the single most valuable one-page document in your bidding toolkit.

Combined effect with MSE: A Class-I MSE bidder in a reserved tender is competing against a very small pool. Win rates jump.

5. Layer 3 — Startup India benefits on GeM

If your entity is DPIIT-recognised (registered at startupindia.gov.in):

- Exemption from prior experience & turnover criteria in bids (up to ₹10 Cr value).
- EMD exemption even without MSE status.
- Startup Runway on GeM — a dedicated storefront for DPIIT startups.

DPIIT recognition takes 3–5 working days, is free, and requires:

- Entity incorporated in the last 10 years
- Turnover under ₹100 Cr in any year since incorporation
- Working on innovation / improvement / scalable business model

Stacking: A DPIIT + MSE + Class-I bidder can enter tenders that would normally require 3 years of ₹5 Cr turnover — with none of it.

6. Layer 4 — MSME Samadhaan (delayed payments)

The MSMED Act (Section 15) requires buyers to pay MSEs within 45 days of accepted delivery. Delay = mandatory compound interest at 3× RBI Bank Rate, monthly.

If a government buyer delays, file at samadhaan.msme.gov.in. Filing is free and often triggers payment within weeks — plus interest.

Practical use: Set a 45-day reminder on every PO. On Day 46, message the buyer. On Day 60, file Samadhaan. Most MSMEs don't invoke this; those who do get paid meaningfully faster.

7. Layer 5 — CLCS-TUS (Credit Linked Capital Subsidy)

Under the Credit Linked Capital Subsidy Scheme for Technology Upgradation:

- 15% subsidy on capital investment for tech upgradation, capped at ₹15 lakh (₹1 crore investment).
- Applies to specified sectors (auto components, food processing, plastics, chemicals, etc.).
- Availed through your bank at loan sanction.

If you're expanding capacity to fulfil growing GeM orders, this subsidy converts a growth-capex constraint into a growth-capex tailwind.

8. Layer 6 — CGTMSE Collateral-free credit

Credit Guarantee Fund Trust for Micro & Small Enterprises guarantees up to ₹5 crore of business loans without collateral.

- Fee: 0.37% - 1.35% annually (based on loan size + gender).
- Available through most scheduled banks + NBFCs.
- Approval independent of GeM performance, but strong GeM order book strengthens the loan case.

For MSEs pre-financing large government orders, this is often the difference between accepting and declining.

9. Layer 7 — GST benefits & composition

- Composition scheme for turnover ≤ ₹1.5 crore (goods) or ≤ ₹50 lakh (services) — fixed rate, simpler compliance. But: composition dealers cannot claim ITC and buyers cannot claim ITC on your invoices — this hurts B2B/B2G bids. Not recommended for GeM sellers.
- QRMP (Quarterly Return, Monthly Payment) — turnover ≤ ₹5 crore. Quarterly GSTR-1 and GSTR-3B. Big cash-flow benefit vs monthly returns.
- LUT for zero-rated supplies — if you export or supply SEZs, file the annual Letter of Undertaking to skip IGST on exports.

10. Layer 8 — State-level incentives

Every major manufacturing state offers additional incentives to MSMEs. A partial map:

State	Notable schemes
Karnataka	KIP-2020 — investment subsidy up to 30% for MSMEs in Zone 3/4; stamp duty & electricity duty exemption
Maharashtra	PSI-2019 — capital subsidy + IPS refund of state GST
Tamil Nadu	Structured Package for MSMEs — subsidy + interest subvention
Gujarat	Aatmanirbhar Gujarat Scheme — capital + interest subsidy
Telangana	T-IDEA — 15-35% investment subsidy for MSMEs
UP	MSME Promotion Policy 2022 — capital subsidy up to 25%, stamp duty exemption
Rajasthan	RIPS-2022 — investment subsidy + electricity duty exemption
West Bengal	WBIS-2018 — capital subsidy + stamp duty exemption

Check your state MSME department's website. Most schemes have annual application windows.

11. Putting the stack to work — a worked example

Meet Priya. Woman-owned proprietorship in Bengaluru, manufactures LED panel lights.

Base layer:

- Udyam registered — Small enterprise, Women-owned
- DPIIT Startup recognised
- Class-I Local Supplier (65% local content, CA-certified)

She sees a ₹75 lakh GeM tender for LED panels from a Central PSU:

Without stacking	With stacking
Competes with 40+ bidders	Reserved for MSEs → 8 bidders
₹1.5L EMD tied up	EMD exempt
Bids at ₹72L to be L1	Bids at ₹78L (in 15% band)
Wins outright at ₹72L, ₹0 margin	Invokes price-match at ₹72L for 25% (₹18.75L); loses the rest but at zero margin cost
Payment in 90+ days, no interest	Samadhaan filed at day 46 → paid at day 55 + interest

Without stacking	With stacking
Standalone tender	Order enables ₹15L capex; CLCS covers ₹2.25L

The stack turns a break-even bid into a genuinely profitable, working-capital-friendly one. That's the point.

12. The 30-day compliance sprint

To activate the full stack, do this in the next 30 days:

Week 1

- [ ] Register / update Udyam. Confirm classification.
- [ ] Apply for DPIIT Startup recognition (if eligible).
- [ ] Get Local Content Certificate from CA (Class-I or Class-II).

Week 2

- [ ] Verify Udyam is showing "Verified" on GeM.
- [ ] Tick Women-owned / SC/ST sub-classification if applicable.
- [ ] Verify Class-I / II declaration on your seller profile.

Week 3

- [ ] Apply for CGTMSE-backed working capital line via your bank.
- [ ] Register on MSME Samadhaan portal.
- [ ] Set 45-day payment reminders on all POs.

Week 4

- [ ] Check your state MSME department's active schemes.
- [ ] Apply for any capital / interest subsidy your capex qualifies for.
- [ ] Update your bid-response template to invoke every applicable benefit in every bid.

About India Procure

India Procure helps Indian MSMEs stack these benefits correctly — from Udyam classification through GeM bid strategy to post-award recoveries. 300+ MSEs guided, ₹40 Cr+ order value facilitated.

Free consultation: indiaprocure.com/contact Phone: +91 91138 99941 Email: info@indiaprocure.com

Free to share with any MSME that would benefit.

Note: Scheme parameters, thresholds and rates are as of 2026 and subject to periodic revision by respective ministries. Always verify current terms on the official portal before applying.