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Ref.No.MAIT/PY/2633

January 24, 2023

Dr. Rajneesh
Additional Secretary and Development Commissioner (MSME)
Ministry of Micro, Small & Medium Enterprises

Subject: Extending the exemption under EPR obligations for Indian Small & Medium Enterprises

Respected Sir,

Greetings from MAIT!

I am writing to you on behalf of **MAIT**, India's apex Industry body empowering IT, Telecom & Electronics Hardware sector.

Under the Hon'ble Prime Minister's Atmanirbhar programme, our country has taken a goal of making **2030 the decade for Electronic H/w Manufacturing for India**.

As per the PIB report on MSMEs' growth for the year 2020-2021, this sector accounts for 38.47 % of manufacturing output and 45.03 % of the total exports in the country. The Ministry of MSME highlighted that MSMEs accounted for 26.83 % of GDP in the year 2019-2020. Indian MSMEs generated 11.2 million jobs in the year 2020-2021. Therefore, the development and growth of MSME are critical as it is the backbone of the Indian economy.

The country has set a target of **\$300 billion in electronics manufacturing by 2025**. As per MAIT estimates, this offers the Indian MSME industry a **\$70 billion new opportunity**. To realise this promise of **\$70 bn** for the Indian MSMEs, there is a need to enable specific provisions to promote the electronic manufacturing to the SME sector.

MAIT would like to highlight that the Ministry of Environment, Forests and Climate Change has recently released E-Waste Management Rules '22, Battery Waste Management Rules '22, and Plastic Waste Management (amendment) Rules '22. These rules mandate Product Brand Owners & Importers (PIBOs), Refurbishes and Recyclers of Electronic & Electrical goods, plastic packaging, and batteries to fulfil Extended Producer Responsibility (EPR) by paying for the recycling.

SMEs in India are already suffering from financial, operational, regulatory and manpower-related challenges. Some of the challenges are mentioned below:

Operational Challenges:

- MSME sector's liquidity and profitability have slowed to levels that are incompatible with economic growth.
- Working Capital Crunch - "prevalent in the manufacturing sector, with over 44% of the MSME units facing delayed payments."
- Often not highly productive because they are operating at low volume, which subsequently inflates their cost of production. MSMEs' profit margin is very less, and this has put them at a disadvantage, especially when they are competing against larger enterprises.
- Due to a shortage of manpower, most of the MSMEs are incapable to collect and supply waste to the processing/recycling units.

Regulatory Challenges:

- Overabundance of rules and regulations, adversely affects the Ease of doing business.
- Requires budgetary allocation which might be minimal for larger organisations, but are significant for MSMEs.

Financial Challenges:

- Often lack working capital.
- Raising funds is an existing issue, the cost of compliance further worsens it.
- Impedes competitiveness and impacts creditworthiness.

The challenges faced by the Indian SMEs due to the overburdening compliance requirements such as EPR obligations restrict the growth of the sector. Hence, **MAIT requested the Ministry of MSME to recommend to MoEF&CC for extending the exemption to Indian SMEs from such EPR obligations.**

We are sanguine that our request will be answered in a positive manner.

Warm regards,



Col. AA Jafri, Retd.
Director General

CC: Dr. Ishita Ganguli Tripathy, Additional Development Commissioner, Ministry of MSME