



ABSTRACT

Finance Department - Micro, Small and Medium Enterprises - Trade Receivables Discounting System (TReDS) - Participation of the State Public Sector Undertakings, Statutory Boards, Municipal Corporations and Apex Co-operatives in the Trade Receivables Discounting System (TReDS) for settling the Bills of their MSME Suppliers of Goods and Services - Operational Guidelines - Orders - Issued.

Finance (Salaries) Department

G.O.Ms.No.173

Dated:13.06.2022

சுபகிருது, வைகாசி - 30

திருவள்ளூர் ஆண்டு-2053

Read:

1. G.O.Ms.No.237, Finance (Salaries) Department, Dated: 25.10.2021.
2. From the Industries Commissioner and Director of Industries and Commerce Letter No.11911/IES2/2021, Dated:17.11.2021, 25.02.2022 and 28.02.2022.

- oOo-

ORDER:-

In the Government Order first read above, orders were issued for participation of State Public Sector Undertakings, Statutory Boards, Municipal Corporations and Major Apex Co-operatives in the Trade Receivables Discounting System platform for settling the bills of the Micro, Small and Medium Enterprises Suppliers of Goods and Services.

2. Among others, the following agencies were ordered to mandatorily participate in TReDS (Trade Receivables Discounting System) platform for settling the bills of their Micro, Small and Medium Enterprises Suppliers of goods and services.

- i. All State Public Sector Undertakings and companies where the State Government exercise managerial control by appointing its Chief Executive Officer.
- ii. All Municipal Corporations.
- iii. Major Statutory Boards like Chennai Metropolitan Water Supply and Sewerage Board, Tamil Nadu Water Supply and Drainage Board, Tamil Nadu Housing Board and Tamil Nadu Urban Habitat Development Board.
- iv. Major Apex Co-operatives like Aavin and Co-optex.

P.T.O.

3. In the reference second read above, the Industries Commissioner and Director of Industries and Commerce has sent detailed proposal on the operational guidelines for implementation of TReDS (Trade Receivables Discounting System) platform for Micro, Small and Medium Enterprises and onboarding of all State Public Sector Undertakings, Statutory Boards, Municipal Corporations and all Apex Co-operatives for approval of Government.

4. After careful consideration, Government has decided to accept the proposal of Industries Commissioner and Director of Industries and Commerce. Accordingly, the Government approve the operational guidelines sent in the reference second read above and the same is annexed to this order for strict compliance.

(BY ORDER OF THE GOVERNOR)

**N.MURUGANANDAM
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.**

To

All Secretaries to Government, Chennai-9

All Departments of Secretariat, Chennai -9.

All Heads of the Department.

The Secretary to Government, Micro, Small and Medium Enterprises
Department, Secretariat, Chennai-9.

The Additional Chief Secretary to Government, Municipal Administration and
Water Supply Department, Secretariat, Chennai-9.

The Additional Chief Secretary to Government, Animal Husbandry, Dairying,
Fisheries and Fishermen Welfare Department, Secretariat, Chennai-9.

The Principal Secretary to Government, Housing and Urban Development
Department, Secretariat, Chennai-9.

The Principal Secretary to Government, Handlooms, Handicrafts, Textiles and
Department, Secretariat, Chennai-9

The Industries Commissioner and Director of Industries and Commerce,
Guindy, Chennai-32.

All State Owned Corporations / Public Sector Undertakings / Statutory Boards/
Municipal Corporations.

The Managing Director, Chennai Metropolitan Water Supply and Sewerage Board,
Chennai-2.

The Managing Director, Tamil Nadu Water Supply and Drainage Board, Chennai-5.

The Managing Director, Tamil Nadu Small Industries Development Corporation,
Guindy, Chennai-32.

The Chairman and Managing Director,
Tamil Nadu Small Industries Corporation, Guindy, Chennai-32.

The Director, Entrepreneurship Development and Innovation Institute,
Tamil Nadu, Guindy, Chennai-32.

The Mission Director, Tamil Nadu Startup Innovation Mission, Chennai-113.

The Managing Director, MSME Trade and Investment Promotion Bureau,
Chennai-32.

The Chairman, Tamil Nadu Urban Habitat Development Board,
Chennai – 5.

The Managing Director, Tamil Nadu Housing Board, Chennai - 107.

The Managing Director, Co-Optex, Chennai-8

The Managing Director, Chennai Metropolitan Development Authority.
Chennai – 8.

The Managing Director, Aavin, Chennai - 35.

The Principal Accountant General (A&E), Chennai-18.

The General Manager, TAICO Bank, Mandavelipakkam, Chennai -28.

Copy to:

The Special Personal Assistant to Hon'ble Chief Minister, Chennai-9.

The Special Personal Assistant to Minister for Finance and Human
Resources Management, Chennai-9.

The Special Personal Assistant to Minister for Micro, Small and Medium
Enterprises, Chennai-9.

The Finance (Ind/BG.I/BG.II/BPE) Department, Chennai-9.

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// Forwarded: By Order//

 13/06/2022

SECTION OFFICER.


13/06/2022

ANNEXURE

to G.O.Ms.No.173, Finance (Salaries) Department, dated : 13.06.2022

OPERATIONAL GUIDELINES FOR TReDS (Trade Receivables Discounting System) AN ONLINE PLATFORM FOR FACILITATING THE FINANCING/DISCOUNTING OF THE TRADE RECEIVABLES OF MSMEs DEPARTMENT THROUGH MULTIPLE FINANCIERS.

The Government had already issued orders for Micro, Small and Medium Enterprises - Trade Receivables Discounting System based on the Announcement made by the Hon'ble Minister (Finance and Human Resources Management) during the Budget Speech for 2021 - 2022 for the participation of the State Public Sector Undertakings, Statutory Boards, Municipal Corporations and Apex Co-operatives in the Trade Receivables Discounting System for settling the Bills of the Micro, Small and Medium Enterprises Suppliers of Goods and Services.

2. In view of the above orders, the Government issues the following Operational Guidelines for onboarding the procuring entities in the Trade Receivables Discounting System platform:-

- (i) TAICO Bank being the principal agency for TReDS platform in Tamil Nadu shall partner with RXIL a Joint Venture between Small Industries Development Bank of India (SIDBI) and National Stock Exchange (NSE) as the sole operator of current accounts with flexi deposit and OD facility for auto debit on behalf of Government of Tamil Nadu and will operate the MIS required for the same. For this TAICO bank will enter into an MoU with RXIL such that 90% of each invoice value is brought in for auction on RXIL, if the buyer is registered with TAICO bank. The purpose of 90% is stated in point (vii) & (viii) below.
- (ii) All buyers (Government departments, PSU's etc.) will register with RXIL and simultaneously will automatically get registered with TAICO bank's MIS.
- (iii) The Government of Tamil Nadu entities shall register on RXIL as buyers and at the same time create daughter and granddaughter accounts with TAICO bank's current account for effecting payments to TReDS only through TAICO bank's current account.
- (iv) MSME suppliers of Government of Tamil Nadu entities, who have registered as sellers on RXIL's TReDS platform shall upload their invoices on TReDS platform after completing pre-TReDS procedure (pre-TReDS means the stage before uploading the invoices on the TReDS Platform) procedure, the Sellers will be allowed to upload their supply status of goods and services and their Buyers

will be able to validate them electronically and the buyer either accepts or rejects the invoice.

- (v) RXIL conducts the auction of 90% of invoice value and one of RXIL's registered financiers finances the invoices following the routine TReDS process. The seller shall exercise their option to accept or reject the bid rate offered by the financiers.
- (vi) If the Government of Tamil Nadu entity who is the buyer releases the 100% payment within 179 days, it pays to TAICO bank's account and TAICO bank makes available the 90% amount to the financier for auto debit and releases the 10% amount to the MSME supplier directly on TReDS real time or at the most T + 1. Apart from the invoice amount settlement, the accrued interest if any on the fund transferred by buyer to TAICO bank's designated bank account is paid to the MSME supplier directly. The normal routine procedure shall be on these lines and TAICO bank will not retain any amount or cause any delay in this case.
- (vii) If the Buyer settles the amount before the Due Date, the difference in interest cost will be returned to the Cost Bearer subject to Financier's prior written approval with respect to such early payment and refund of interest for the remaining days in the Due Date.
- (viii) If the Government of Tamil Nadu buyer entity on TReDS does not clear 100% of a particular invoice on TReDS by the 179th day, TAICO bank will allow RXIL to auto debit 90% of the invoice from its designated bank account and clear the invoice from the RXIL platform on the 180th day. TAICO will move 100% of the invoice amount into its bill discounting loan portfolio. The 10% will serve as a deposit in lieu of TAICO bank's interest charges payable by the MSME seller, till the buyer entity clears 100% of the invoice directly to TAICO bank. Once 100% is received, TAICO bank will reduce its interest cost including OD charges payable to TAICO Bank and release the rest of the 10% and accrued interest, if any, to the MSME seller.
- (ix) This will ensure that MSME suppliers to Government of Tamil Nadu entities on TReDS get the cheapest bill financing possible in the first 180 days as the financiers are assured of their payments by TAICO bank. TAICO bank's interest cost will also be borne by the MSME seller from the 10% which is not brought on auction on the TReDS platform.

- (x) IC&DIC shall work with RXIL and TAICO bank to create the required MIS for operationalising and monitoring the above arrangements seamlessly. The MIS so created shall account for all the transactions like receipt from the buyer, auto debit by the financier, adjustment from 10%, creation of loan account in TAICO bank whenever necessary and reconcile the same with dues on real time basis. IC&DIC will also facilitate
- (a) MoU by and among TAICO, RXIL and Buyer entity which would serve as a master agreement
 - (b) RXIL's standard MoU between Buyer & RXIL
 - (c) RXIL's standard MoU between RXIL & TAICO bank as financier.
- (xi) The TReDS platform and all the financiers (all banks) on TReDS would consider an invoice as beyond its due date only if it is not paid by the due date committed on the invoice. It is also proposed to keep the due date (on the invoices uploaded by MSME's to be paid by the Tamil Nadu State government entities) in alignment with TAICO bank's own Bill Financing scheme period (which is currently 240 days and in special cases 300 days) in order to facilitate TAICO bank being the principal agent of the Government of Tamil Nadu. An overall limit of Rs.250 crore may be fixed for any State / PSU Individual liability/Bills.
- (xii) Government of Tamil Nadu entities shall be advised to onboard the RXIL platform on TReDS, free of cost, to enable monitoring of performance centrally by the Government. IC&DIC will provide a model agreement for the same.
- (xiii) IC&DIC is authorized to facilitate an MoU between TAICO bank and RXIL in this regard to enable development of the system, the MIS and the monitoring mechanism. TAICO bank shall also be authorized to enter into such agreement with RXIL in line with the operational guidelines of Government of Tamil Nadu and act as a principal agent of the nodal department IC&DIC.
- (xiv) As Managing Director, MSME - Trade and Investment Promotion Bureau (M-TIPB), shall be authorized to develop or facilitate the development of the necessary software in this regard within TAICO Bank and RXIL such that it is integrated with the bank CBS system and RXIL's TReDS platform.
- (xv) The IC&DIC as a nodal department of MSMEs, shall facilitate the Finance Department in monitoring / reviewing the performance of Tamil Nadu Government

entities on the TReDS platform, whenever Finance Department so desires.

- (xvi) IC&DIC shall be authorised to issue and operate all further instructions, guidelines and electronic workflows to all concerned for implementing the above operational guidelines.

-/ True Copy /-

[Handwritten Signature] 13/06/2022

SECTION OFFICER.

13/6/2022