

## Chapter II

### Central Excise exemptions for SSI Units

#### 2 Introduction

##### 2.1 Exemption to Small Scale Industries in Central Excise

SSI units are governed under Notification No. 8/2003 dated 1 March 2003 (as amended from time to time). A unit irrespective of investment whose aggregate value of clearance was less than ₹ 4.00 crore in the previous year is entitled to duty exemption upto ₹ 1.50 crore provided it does not avail Cenvat credit on inputs and not utilize the Cenvat credit of capital goods for payment of duty and the goods manufactured should be covered under the notification.

##### 2.2 Audit objective

We conducted the thematic study to seek assurance that indirect tax administration is adequately placed to safeguard the interests of revenue relating to the small scale industries through:

- a) examination of adequacy of the extant provisions of the Rules, notification(s), Circulars, Manuals and other instructions read with the statutory provisions, in ensuring that the revenue due to the Government does in fact reach the Consolidated Fund without undue delay
- b) whether these provisions help to promote the intention/purpose of the Government in providing the exemption to SSI; and
- c) evaluation of adequacy of the monitoring mechanism in the department to receive and scrutinize returns of SSI units, detect cases of fraud and misuse and issue of 'Show Cause Notices'(SCN) and adjudication without delay.

##### 2.3 Scope and coverage

For conducting audit, we carried out examination of records at 33 selected Commissionerates, 64 Divisions and 134 Ranges. We checked minimum 20 ER-3 Returns in each Range.

The period covered in the study was 2011-12 to 2013-14. However, depending on issues involved, the study was extended to cover previous years wherever it was felt necessary.

##### 2.4 Audit findings

We noticed cases of non-payment/short-payment of duty, irregular availing/utilisation of Cenvat credit etc. Involving revenue of ₹ 9.70 crore.

The department had accepted (March 2015) the audit objections involving revenue of ₹ 3.54 crore and recovered ₹ 1.66 crore.

## 2.5 Revenue foregone and collected

The table below depicts the duty collected and foregone in respect of SSI units during the last three years in selected ranges:

Table 2.1

| Year    | No. of assesseees in the Ranges | No. of SSI units registered in the Ranges | No. of SSI units availing exemption | Duty foregone | Duty Payment by all units registered as SSI units |        | CE Duty paid from Cenvat credit as % of PLA payment |
|---------|---------------------------------|-------------------------------------------|-------------------------------------|---------------|---------------------------------------------------|--------|-----------------------------------------------------|
|         |                                 |                                           |                                     |               | Cenvat                                            | PLA    |                                                     |
|         |                                 |                                           |                                     |               |                                                   |        |                                                     |
| 2011-12 | 12,406                          | 5,483                                     | 2,355                               | 275.92        | 419.47                                            | 253.76 | 165.30                                              |
| 2012-13 | 13,569                          | 5,891                                     | 2,565                               | 345.83        | 520.59                                            | 351.65 | 148.04                                              |
| 2013-14 | 14,834                          | 6,232                                     | 2,739                               | 370.63        | 611.22                                            | 393.57 | 155.30                                              |

The above data shows that less than 50 per cent of the assesseees registered as SSI units in the selected ranges are actually availing the benefit of the SSI exemption. It is noted that eligibility for SSI exemption has been last revised on 1 April 2005 from previous year turnover of ₹ three crore to ₹ four crore and SSI exemption limit has been last revised on 1 April 2007 from first clearance upto ₹ one crore to ₹ 1.5 crore.

It is further observed that SSI manufacturer of intermediate goods is not benefited out of the scheme. As under the present Cenvat credit scheme, the manufacturer paying duty on its clearances is eligible to avail and utilise Cenvat credit on the inputs purchased whereas the SSI manufacturer can not avail the Cenvat credit on its inputs thereby raising its manufacturing cost. An illustrative example depicting the sale of goods is given below:

Table 2.2

| 1 <sup>st</sup> Stage Manufacturer | Input Cost | Duty | Cenvat credit | Effective Input Cost | Value Addition       | Selling Price | Duty | Effective Selling Price |
|------------------------------------|------------|------|---------------|----------------------|----------------------|---------------|------|-------------------------|
| SSI Units                          | 100        | 10   | 0             | 110                  | 20                   | 130           | 0    | 130                     |
| Non – SSI                          | 100        | 10   | 10            | 100                  | 20                   | 120           | 12   | 132                     |
| 2 <sup>nd</sup> Stage Manufacturer | Input Cost |      | Cenvat credit |                      | Effective Input Cost |               |      |                         |
| SSI Units                          | 130        |      | 0             |                      | 130                  |               |      |                         |
| Non – SSI                          | 132        |      | 12            |                      | 120                  |               |      |                         |

It is observed that effective selling price of SSI unit is lesser than non SSI unit if the goods are sold to consumers. But if the SSI units are selling its goods to another manufacturer than the effective input cost for second stage manufacturer becomes costlier due to non-availability of Cenvat credit.

The Ministry in its reply stated (September 2015) that it is normal aberration of threshold based exemption. Audit is of the view that the Ministry may take steps to address the aberration.

## **2.6 Inadequacy of monitoring mechanism**

### **2.6.1 Non-registration and non-filing of declaration in Annexure-4 by SSI units**

a) Unit availing SSI benefit has to take Central Excise registration on crossing the specified exemption limit of value of clearance of ₹ 1.50 crore.

Audit examination of details of annual manufacturing accounts furnished in Form 13 to the Commercial Taxes Department and data available with the Industries department revealed non registration by 73 Units on crossing the specified exemption limit in Calicut and Trivandrum Commissionerate. Audit also noticed non-registration by 37 Units engaged in the manufacture of fertilizer (dutiabale since 1 March 2011) in Cochin, Calicut and Trivandrum Commissionerates during 2010-11/2011-12. It was also noticed that 27 units manufacturing plywood in the jurisdiction of Perumbavoor Range in Cochin Commissionerate had not taken registration with the department.

Similarly, Audit examination of details of annual turnover of manufacturers furnished by the Commercial Tax Department with the details furnished by the Ranges selected in Chennai II Commissionerate<sup>8</sup> and Chennai IV Commissionerate<sup>9</sup> and cross verification with the Assessee Master provided by the CBEC in Electronic Accounting System in Excise and Service Tax, revealed that 56, 47 and 40 assessees for the year 2011-12, 2012-13 and 2013-14 respectively had registered with the Commercial Tax Department but had not registered with the Central Excise Department after crossing the specified exemption limit of value of clearances of ₹ 1.50 crore.

Out of the above, eighteen assessees had not registered themselves with the Central Excise Department even though their value of clearance had crossed ₹ 1.50 crore for all the three years of 2011-12, 2012-13 and 2013-14 indicating slackness of the Department in widening the tax base.

When we pointed this out (June 2015), the ministry accepted (September 2015) the audit objection in some cases and reported no irregularity in few cases. Investigation is in progress in most of the cases and in the case of M/s Jews Agro Services Centre, Kollam reported recovery of ₹ 14.81 lakh.

---

<sup>8</sup> Padi, Ambatur-II, Range IV-A and Range IV-B

<sup>9</sup> Thirumudivakkam-I and II, Perungudi and Palavakkam

b) Notification No.36/2001-CE (NT), dated 26 June 2001 exempted units, having annual turnover below specified limit of ₹ 90 lakh, from registering with the department effective from 1 July 2001. However, such units are required to file a declaration in form Annexure-5, once the value of their clearance reaches the specified limit.

In Audit, as cross-verified from Sales Tax Department, non-filing of declaration in eight cases were noticed in Noida, Lucknow , Belapur Commissionerate and three cases of wrong declaration were noticed in Ahmedabad II Commissionerate.

When we pointed this out (June-July 2014), the ministry accepted (September 2015) the audit objection in eight cases and stated that SCNs are being issued. In three cases no irregularity was found.

### **2.6.2 Filing of Returns**

Rule 12 of the Central Excise Rules, 2002 stipulates filing of returns by every assessee in the form specified by the department. Sub rule 3 of Rule 12 of the Rules *ibid*, prescribes scrutiny of Return by proper officer to ensure correctness of duty assessed by the assessee. Scrutiny of returns, identification of non/belated filers and initiating follow up action is the statutory function of the department. Interest on delayed payment of duty is leviable under Section 11AA of the Central Excise Act, 1944. General penalty up to five thousand rupees is imposable under Rule 27 for non-submission or belated submission of returns.

#### **2.6.2.1 Non/Delayed filing of ER-3 Returns**

Rule 12(1) of the Central Excise Rules 2002, stipulates that every SSI unit availing exemption shall pay the duty by 6<sup>th</sup> in the case of e-payment of the month following the quarter except March (For March by 31<sup>st</sup> March) and file a quarterly return (Form ER-3) within 10 days after the end of the quarter to enable the department to assess levy and collection of duty. As per rule 27 of Central Excise Rules, 2002, a breach of these rules shall, where no other penalty is provided herein or in the Central Excise Act, 1944, be punishable with a penalty which may extend to five thousand rupees.

The details of Non/Stop filers and delayed filers of ER-3 returns obtained from 134 selected Ranges. Audit noticed that there were 527 cases of non-filing and 1,790 cases of late-filing of ER-3 returns by SSI units during the period of our audit. The Department had neither taken any action nor imposed any penalty which could have been upto ₹ 26.35 lakh in case of non-filing and ₹ 89.50 lakh in case of late-filing of returns. The slackness of monitoring mechanism was pointed out (September 2014).

The Ministry in its reply (September 2015) accepted the audit objection in most of the cases and stated that rectificatory action is being initiated and reported recovery of ₹ 4.10 lakh as penalty.

### **2.6.2.2 Non/Delayed filing of ER-7 Returns**

Rule 12(2A) (a) of the Central Excise Rules 2002 stipulates that every SSI unit availing exemption shall submit a statement (Form ER-7) declaring the annual production capacity of the factory by 30th April of the succeeding financial year to enable department to verify correctness as to assessment, production capacity, electrical load utilised, etc. As per rule 27 of Central Excise Rules, 2002, a breach of these rules shall, where no other penalty is provided herein or in the Central Excise Act, 1944 be punishable with a penalty which may extend to five thousand rupees.

The details of Non/Stop filers and delayed filers of ER-7 returns obtained from 134 selected Ranges. Audit noticed that there were 3,282 cases of non-filing and 1,008 cases of late-filing of ER-7 returns by SSI units during the period of thematic study. The Department had neither taken any action nor imposed any penalty which could have been upto ₹ 1.64 crore in case of non-filing and ₹ 50.40 lakh in case of late-filing of returns.

The slackness of monitoring mechanism was pointed out (September 2014). The Ministry in its reply (September 2015) accepted the audit objection in most of the cases and stated that rectificatory action is being initiated and reported recovery of ₹ 6.04 lakh as penalty.

### **2.6.3 Non/Short payment of duty on crossing exemption limit of ₹ 1.50 crore**

Under the SSI scheme, a unit whose aggregate value of clearance was less than ₹ 4.00 crore in the previous year is entitled to duty exemption upto ₹ 1.50 crore provided it does not avail Cenvat credit facility. The manufacturer availing the notification has to satisfy certain conditions for availing the benefit and the goods manufactured should be covered under this notification.

Audit noticed non/short payment of duty in 21 cases in five Commissionerates<sup>10</sup> where clearances crossed the exemption limit. The total duty not paid in such cases amounted to ₹ 1.40 crore which was recoverable with interest of ₹ 27.43 lakh.

---

<sup>10</sup> Chennai II, Coimbatore, Cochin, Chandigarh I and Calicut

We have pointed this out in June-September 2014. The Ministry reported (September 2015) recovery of ₹ 18.51 lakh in seven cases. We await the Ministry's response to other cases (December 2015).

Audit is of the opinion that monitoring mechanism must be tightened to bring unregistered SSI units into tax net and also to ensure proper filing of returns.

## **2.7 Non-fulfilment of conditions for exemption**

Under the SSI scheme, the unit whose value of clearance was less than ₹ 4.00 crore in previous year are entitled to full exemption upto ₹ 1.50 crore in current financial year. All clearances from 1<sup>st</sup> April in chronological order have to be considered for the purpose of calculation of exemption limit of ₹ 1.50 crore.

### **2.7.1 Incorrect computation of exemption limit**

The clearances made for export are not included in the turnover of ₹ 4.00 crore for the purpose of deciding the eligibility for SSI exemption for next financial year. In the case of export of goods from the factory, the manufacturer has to file an application in ARE-I form to seek permission to export the goods from the department. Where the manufacturer does not export the goods on its own but through a merchant-exporter, the manufacturer receives a copy of CT-3 certificate from the merchant-exporter indicating the actual removal of the goods for exports.

Instances of incorrect computation of Exemption limit were noticed in three cases in two Commissionerates<sup>11</sup> which resulted in excess availing of exemption amounting to ₹ 20.31 lakh. One illustrative case is discussed below:

M/s Shivnegere Packaging Industries in Bangalore-I Commissionerate claimed exemption on goods cleared to Export Oriented Units during the period 2011-12 to 2013-14. It was noticed in Audit that exemption was claimed without furnishing the prescribed CT-3 certificates. If the exemption is disallowed, the aggregate value of clearances made by the assessee would exceed the exemption limit during the respective years. So, the assessee will not fall under the category of SSI and would be liable to pay duty amounting to ₹ 10.84 lakh along with applicable interest.

When we pointed this out (June-September 2014), the Ministry accepted audit objection in all the cases and initiated rectificatory action in all cases and reported recovery of ₹ 0.73 lakh.

---

<sup>11</sup> Delhi I and Bangalore II

## 2.7.2 Incorrect availing of SSI exemption

The exemption contained in the notification shall apply subject to the conditions that the aggregate value of clearances of all excisable goods for home consumption by a manufacturer from one or more factories, or from a factory by one or more manufacturers, does not exceed rupees four hundred lakh in the preceding financial year.

Instances of incorrect availing of exemption were noticed in 11 cases in eight Commissionerates<sup>12</sup> which resulted in excess availing of exemption amounting to ₹ 1.83 crore. Few cases are discussed below:

a) M/s Technico Laboratory Glassworks in Chennai IV Commissionerate, availed duty exemption on first clearances of ₹ 1.50 crore during 2013-14. It was noticed in Audit that total clearances of goods including value of goods cleared with nil rate of duty other than for exports was in excess of ₹ 4.00 crore during the previous year 2012-13. The incorrect availing of duty exemption amounted to ₹ 3.09 lakh.

When we pointed this out (July 2014), the Ministry accepted the audit objection (September 2015) and reported recovery of ₹ 3.65 lakh including interest.

b) M/s B.M. Packaging Machines, Mohali in Chandigarh-I Commissionerate, an SSI unit manufacturing soap packing machines, had two more units at Mohali and Baddi (H.P). The aggregate value of clearances of all three units was ₹ 4.32 crore and ₹ 6.39 crore during 2011-12 and 2012-13 respectively. The assessee however availed SSI exemption during the years 2012-13 and 2013-14. Thus there was incorrect availing of duty exemption amounted to ₹ 37.08 lakh.

When we pointed this out (October 2014), the Ministry accepted the audit objection (September 2015) and stated that SCN for ₹ 88.83 lakh covering the period 2010-11 to 2014-15 has been issued.

c) M/s MJR Components Pvt. Ltd in Faridabad Commissionerate, manufacturing and clearing motor vehicle parts availed SSI exemption of ₹ 15.35 lakh, ₹ 18.04 and ₹ 18.21 lakh during the years 2011-12, 2012-13 and 2013-14 respectively. The assessee had another unit under the same management - M/s Nehra Metal Component Pvt. Ltd at Faridabad. The aggregate value of clearances of both the units exceeded ₹ 4.00 crore during the years 2011-12 to 2013-14. The duty exemption of ₹ 51.60 lakh was therefore not correct.

Reply of the Ministry is awaited (December 2015).

<sup>12</sup> Chandigarh I, Chennai IV, Cochin, Faridabad, Noida, Jaipur I, Thane I and Kolkata II

d) M/s DNV Industrial Systems Pvt. Ltd in Noida Commissionerate, had two units in Noida. The aggregate turnover of both units as per the Balance Sheet for the year 2011-12 was ₹ 4.12 crore. However, the assessee availed SSI exemption for ₹ 18.54 lakh during 2012-13 which was incorrect.

Reply of the Ministry is awaited (December 2015).

When we pointed this out (June-October 2014), the Ministry accepted the audit objection in five cases involving revenue of ₹ 93.80 lakh and reported the recovery of ₹ 4.01 lakh. We await the Ministry's response in remaining six cases (December 2015).

## **2.8 Cenvat credit**

### **2.8.1 Incorrect availing or utilization of Cenvat credit**

We noticed 74 instances in 20 Commissionerates<sup>13</sup> of incorrect availing/utilization of Cenvat credit, non-reversal of Cenvat credit, availing of Cenvat credit on invalid documents etc. amounting to ₹ 1.16 crore. The Ministry accepted the audit objection in 65 cases involving revenue of ₹ 1.02 crore and reported recovery of ₹ 53.26 lakh. A few cases are illustrated below:

In terms of Rule 11(2) of Cenvat Credit Rules, 2004 a manufacturer who opts for exemption from the whole of duty of excise leviable on goods under a notification based on the value or quantity of clearance in a financial year and who availed Cenvat Credit on inputs or input services before such option is exercised, shall be required to pay an amount equivalent to Cenvat credit in respect of inputs lying in stock or in process or contained in final products lying in stock on the date when such option is exercised and after deducting the said amount, the balance, if any, still remaining shall lapse.

a) M/s Western Metaflux Pvt. Ltd. in Thane-I Commissionerate, availed SSI exemption during the year 2012-2013 and 2013-14 and availed Cenvat facility for payment of duty after crossing the threshold exemption limit. It was observed from the input Cenvat credit register and corresponding invoices of 2011-12 that the assessee had availed and utilized the Cenvat credit in respect of inputs lying in the stock as on 31 March 2012. Further, as per Balance sheet, the value of inputs lying in the stock as on 31 March 2012 was ₹ 16.89 lakh. However, the assessee had not paid an amount equivalent to Cenvat credit availed on these inputs. The similar observation was noticed for the year 2013-14.

---

<sup>13</sup> Bangalore I, Bangalore II, Belapur, Calicut, Chandigarh I, Daman, Delhi I, Guwahati, Kolkata III, Kolkata V, Noida, Pune I, Raipur, Rajkot, Thane I, Ahmedabad II, Cochin, Trivandrum, Coimbatore and Jaipur I



When we pointed this out (May 2014), the Commissionerate accepted the audit objection (May 2014) and reported recovery of ₹ 1.18 lakh for the year 2011-12 and 2012-13.

b) M/s Sathyam NE Wire Products Ltd. in Guwahati Commissionerate, availed SSI exemption during the years 2011-2012 and 2012-2013 and availed Cenvat facility for payment of duty after crossing the threshold exemption ₹ 3.97 lakh and ₹ 8.16 lakh limit. As on 31 March 2012, in respect of inputs, work in progress (WIP) and finished goods lying in stock, Cenvat credit required to be reversed was ₹ 12.36 lakh as against the credit available in Cenvat account of the assessee was ₹ 8.38 lakh. Similarly as on 31 March 2013, the Cenvat credit to be reversed was ₹ 9.02 lakh, whereas the credit available in Cenvat account of the assessee was only ₹ 0.86 lakh. Thus there was short reversal of Cenvat of for the years 2011-2012 and 2012-2013.

When we pointed this out (September 2014), the Ministry stated (September 2015) that a SCN has been issued to the assessee.

c) As per Proviso to Rule 3(5) of the Cenvat Credit Rules, 2004, if capital goods on which Cenvat credit has been taken, are removed after being used, the manufacturer shall pay an amount equal to the Cenvat credit taken on the said Capital Good, reduced by the percentage points calculated by straight line method for each quarter of a year or part thereof from the date of taking the Cenvat credit.

On a scrutiny of Cenvat records of M/s Dobersun Products Pvt. Ltd. in Kochi Commissionerate, manufacturer of cement bricks, audit noticed that the assessee availed Cenvat credit on capital goods of ₹ 48.67 lakh in December 2010. They removed certain capital goods during March and April 2013 and reversed credit of ₹ 16.64 lakh as against the actual amount of ₹ 24.71 lakh. This resulted in short reversal of Cenvat credit of ₹ 8.07 lakh.

When we pointed this out (June 2014), the Ministry intimated (September 2015) the reversal of Cenvat credit of ₹ 8.07 lakh (August 2014).

## **2.9 Other topics**

### **2.9.1 Miscellaneous issues**

We noticed short/non-payment of duty, non-payment of interest in 36 cases in 16 Commissionerates<sup>14</sup>, due to various reasons such as duty assessed but not paid, difference of paid amount detail in ER-3 return and Cenvat

---

<sup>14</sup> Ahmedabad II, Daman, Bangalore II, Bangalore III, Chennai II, Chennai IV, Cochin, Calicut, Delhi I, Kolkata V, Guwahati, Kolkata III, Noida, Lucknow, Thane I and Jaipur

accounts/PLA accounts of the assesses, non-availability of challan details on National Securities Depository Limited (NSDL) site, non-fulfilment of specified conditions of exports, incorrect rate of duty, non-inclusion of additional charges in assessable value, under valuation of clearance to related person, non-payment of additional duty on as such clearance of inputs, non-inclusion of debit note values etc. Duty involved in these cases was ₹ 1.21 crore.

We have pointed this out in June-September 2014, the Ministry accepted (September 2015) the audit objection in 24 cases involving revenue of ₹ 91.73 lakh and reported recovery of ₹ 61.35 lakh. We await the Ministry's response in rest of the cases (December 2015).

### 2.9.2 Lacunae in notification

(i) In the SSI scheme, benefit of duty exemption on clearance upto ₹ 1.50 crore is given to rural SSI unit irrespective of the fact whether the clearance is of own/unbranded goods or the goods bearing the brand name or trade name of another person. But for urban SSI unit the duty exemption benefit is given only on clearance of own/unbranded goods. Thus giving boost to SSI unit in rural area. However, for determining the eligibility limit of ₹ 4.00 crore for granting the SSI benefit next year, value of all the clearances made by the rural SSI unit is taken into the account whereas in the case of urban SSI unit only the value of clearance of own/unbranded goods is taken. This puts the rural SSI unit in disadvantage position for being eligible to avail continuous SSI benefits vis-à-vis urban SSI unit.

M/s Tanmed Pharmaceuticals, in Chennai-IV Commissionerate, a SSI unit situated in urban area made clearance of goods bearing own brand name and other's brand name for a value of ₹ 1.01 crore (own brand) and ₹ 27.66 crore (other brand) in 2012-13 and for ₹ 1.26 crore (own brand) and ₹ 31.57 crore (other brand) in the year 2013-14. During 2012-13 and 2013-14 the clearance of own goods was less than ₹ 4.00 crore, the assessee continued to avail SSI exemption in the subsequent year 2013-14 and 2014-15, even though the aggregate value of home clearances was ₹ 28.68 crore and ₹ 32.83 crore in the years 2012-13 and 2013-14 respectively.

However, audit view is that had the SSI unit been in rural area it would not be eligible for SSI exemption during 2013-14, for the reason that the aggregate value in the previous year exceeded ₹ 4.00 crore and duty payable would have worked out to ₹ 15.64 lakh on the total assessable value goods cleared under own brand of ₹ 1.26 crore. By including the value of clearance of branded goods manufactured in rural area for reckoning the threshold limit of ₹ 4.00 crore for availing the benefit of SSI notification, the SSI units in rural

area are placed in a disadvantageous position for they would be losing the SSI status if the value of both branded and un-branded goods exceed ₹ 4.00 crore. There is a need to amend the notification to exclude the value of clearances of branded goods manufactured by SSI manufacturer in a rural area beyond ₹ 1.50 crore on par with the manufacturer in urban area manufacturing branded goods.

When we pointed this out (June 2015), the Ministry in its reply accepted (September 2015) that there is a need to amend the notification to exclude the value of clearance of branded goods manufactured by SSI, manufacturer in rural area beyond ₹ 1.50 crore on par with the manufacturer in urban area manufacturing branded goods.

The Ministry may intimate the steps taken to address the anomaly.

(ii) Under the SSI scheme, an SSI manufacturer is not entitled to credit of duty paid on inputs used in the manufacture and clearance of specified goods up to ₹ 1.50 crore of the first clearance for home consumption. However the notification does not prohibit availing Cenvat credit on input services used in the manufacture of the specified goods till the first clearance of ₹ 1.50 crore. This inconsistency in the Cenvat scheme needs rectification.

Audit observed that 12 assesses in five Commissionerates<sup>15</sup> availed both the Cenvat credit on input service amounting to ₹ 16.50 lakh from 2011-12 to 2013-14 and duty exemption on first clearances up to aggregate value of home consumption of ₹ 1.50 crore, which is an unintended benefit to the SSI manufacturers.

When we pointed this out (June 2015), the Ministry accepted the audit objection in seven cases involving revenue of ₹ 3.34 lakh and reported recovery of ₹ 3.09 lakh. Further, the Ministry did not accept the audit objection in five cases. Thus, the Ministry's reply in different cases on same issue is not consistent. Ministry needs to resolve the inconsistency.

## **2.10 Conclusion**

All registered SSI units are not availing the benefit of SSI exemption, as manufacturers of intermediate goods are not benefited out of the scheme. Rural SSI units are also at disadvantageous position in comparison to urban SSI units. There is a need to resolve the issues by suitable revision in the provisions of the scheme.

---

<sup>15</sup> Noida, Ranchi, Guwahati, Pune I and Bangalore II