

Mandatory TReDS Registration for Companies Above ₹250 Crore Turnover

Introduction

On November 7, 2024, the Ministry of Micro, Small, and Medium Enterprises (MSME) issued a notification mandating the registration of all companies under the Companies Act, 2013, with an annual turnover exceeding INR 250 crore, along with all Central Public Sector Enterprises (CPSEs), on the Trade Receivables Discounting System (TReDS) platforms. This new directive supersedes the previous notification dated November 2, 2018, which had set the turnover threshold for onboarding on TReDS at INR 500 crore.

What is TReDS Platform?

The TReDS platform enables the timely settlement of invoices raised by MSMEs on their buyers within the statutory 45-day period, as stipulated by the Micro, Small, and Medium Enterprises Development Act, 2006. MSMEs can upload their outstanding invoices to the platform, where these are verified and authenticated by the buyers. After authentication, financial institutions participate in bidding to discount these receivables, providing MSMEs with immediate access to working capital. Upon invoice maturity, buyers are obligated to settle payments directly with the financial institutions, ensuring a smooth flow of funds and bolstering MSMEs' liquidity.

What is the timeline for registration on TReDS?

All companies with a turnover exceeding INR 250 crore, along with CPSEs involved in procurement from MSMEs, are required to register on the TReDS platform by March 31, 2025. This registration is a critical step toward streamlining the settlement of MSME invoices and ensuring compliance with statutory payment timelines.

What is the process of registration on TReDS?

To register on a TReDS platform, companies must first select an RBI-authorized platform, such as Receivables Exchange of India Ltd, M1xchange, or Invoicemart, based on their operational requirements. After selecting a platform, businesses should visit the platform's website and fill in basic company details to create an account. Once the account is created, users must verify their email address. The next step is to upload Know Your Customer documents, including the business registration certificate, Permanent Account Number, Goods and Service Tax registration, financial statements, and board resolution/authorization letter. After document verification, companies will need to sign a participation



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agreement, which outlines the terms and conditions of using the platform. Upon successful registration and payment of any applicable fees, businesses can begin using the TReDS platform for trade receivables discounting.

Conclusion

This notification represents a significant initiative by the Indian Government to enhance the nation's financial landscape. By ensuring faster access to working capital for MSMEs, the government aims to alleviate financial challenges and improve cash flow within this vital sector. This move underscores the government's ongoing commitment to supporting the growth and development of MSMEs, which are integral to the economy. By facilitating quicker financial transactions and more efficient invoice settlements, this initiative is expected to substantially improve the liquidity of MSMEs, enhancing their operational capacity, cash management, and long-term sustainability.

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