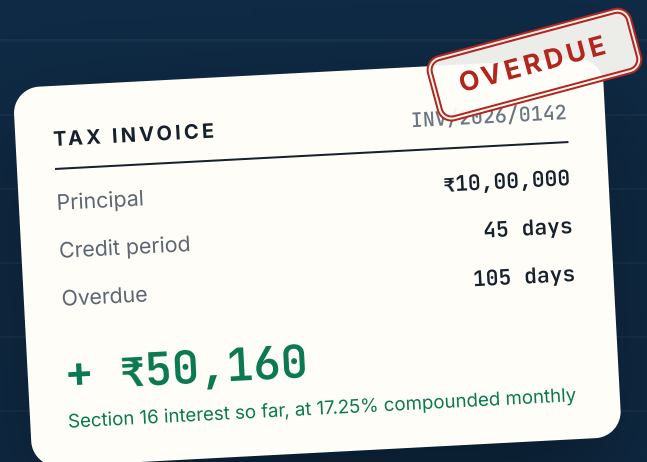


Unpaid after 45 days?

The law has priced the delay.

A supplier's guide to recovering dues and statutory interest under the MSMED Act, 2006: who qualifies, what the claim is worth, and how it moves from the MSME ODR portal to an award.



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45 days

the most credit any written agreement can give a buyer

17.25%

a year, compounding monthly: three times the RBI Bank Rate

75%

of the award the buyer must deposit before a court hears its challenge

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Nine sections do the work

Chapter V of the MSMED Act (Sections 15 to 24) protects micro and small suppliers. It sets a hard deadline for payment, adds punitive interest that no contract can waive, and sends disputes to a forum in the supplier's own state.

15 days to pay if no credit period is agreed in writing	45 days: the longest credit any written agreement can give	17.25% a year: $3 \times$ RBI Bank Rate (5.75%), compounded monthly	75% of an award the buyer must deposit before challenging it	90 days: the statutory target to decide a reference
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How the payment clock runs

Day 0 to 15 Acceptance; due by day 15 if nothing agreed	Up to day 45 Latest date a written agreement can fix	After the due date Interest at $3 \times$ Bank Rate, monthly rests
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Acceptance means the day of delivery or completion. If the buyer objects in writing within 15 days, it is the day the objection is removed. With no written objection, delivery counts as deemed acceptance.

PROVISION	WHAT IT SAYS	WHY IT MATTERS
s.2(b), 2(n)	"Appointed day", "day of acceptance", "deemed acceptance". A "supplier" is a micro or small enterprise that has filed its memorandum (Udyam).	The clock runs from acceptance, not the invoice date. Medium units are excluded.
s.15	Pay on or before the agreed date, never beyond 45 days from acceptance, or before the appointed day if nothing was agreed.	Longer credit terms in a contract are cut down to 45 days.
s.16	On default: compound interest with monthly rests at three times the Bank Rate, "notwithstanding anything contained in any agreement".	17.25% today. A no-interest clause does not help the buyer.
s.17	The buyer is liable for the amount with interest.	Interest alone can be claimed if the bill was paid late.
s.18	Any party may refer the dispute to the Facilitation Council: conciliation first, then arbitration under the Arbitration Act. The Council where the supplier is located has jurisdiction over a buyer anywhere in India.	A home-state forum, even against a buyer in another state or with its own arbitration clause.
s.19	No court will hear a challenge to the award unless the buyer deposits 75% of it.	The biggest deterrent to stalling. Courts treat it as mandatory.
s.22	Audited buyers disclose unpaid principal and interest owed to MSE suppliers in their accounts.	Public pressure, and possibly an acknowledgment for limitation.
s.23 • s.24	Section 16 interest is not deductible for income tax. Sections 15 to 23 override any other law.	Late payment is expensive for the buyer.
IT Act	s.43B(h) of the 1961 Act from FY 2023-24, now s.37(2)(g) of the Income-tax Act, 2025: sums owed to MSEs beyond the s.15 limit are deductible only when paid.	A tax reason for the buyer to settle before year-end.

Six questions decide most claims

Walk down the path. A "no" is not always the end, but it is the point the buyer's lawyer will attack first.

01	Are you a micro or small enterprise, in manufacturing or services?	No: medium enterprises are not "suppliers" under s.2(n).
02	Are you registered on Udyam or the Udyam Assist Platform?	No: register now (free). Past supplies are contested.
03	Did you register before the contract, or at least before the supplies?	Later: weaker under Silpi and Mahakali; NBCC (2025) is with a larger bench.
04	Did you make or provide what you sold, rather than buy and resell it?	Pure trading: Udyam benefit is limited to priority-sector lending.
05	Is the buyer located in India, and is the payment past the due date?	Foreign buyer: outside s.18(4). Not yet due: wait.
06	Did the amount fall due within the last three years?	Older: arbitration may be time-barred, but conciliation is still open.

All six "yes": a strong claim under Chapter V

Classification from 1 April 2025

CATEGORY	INVESTMENT	TURNOVER	COVERED?
Micro	≤ ₹2.5 cr	≤ ₹10 cr	Yes
Small	≤ ₹25 cr	≤ ₹100 cr	Yes
Medium	≤ ₹125 cr	≤ ₹500 cr	No

S.O. 1364(E), 21 March 2025. Both limits apply together. Export turnover is excluded.

Who counts as a buyer

"Whoever buys any goods or receives any services from a supplier for consideration" (s.2(d)): companies, firms, individuals, government departments, PSUs and local bodies, located anywhere in India.

Government buyers are not exempt. The Council where **you** are located hears the case, wherever in India the buyer is.

What buyers say, and the answer

THE BUYER SAYS	THE ANSWER
"Our contract gives us 90 days."	Section 15 caps any agreed period at 45 days from acceptance, and Section 16 interest applies notwithstanding the agreement.
"There is an arbitration clause."	The Council still has jurisdiction, and Chapter V overrides the Arbitration Act (Mahakali Foods, 2022).
"You were not registered when we signed."	Supplies after registration are covered even on the strict view. NBCC (2025) holds registration is no bar, and a larger bench is deciding.
"The claim is time-barred."	Conciliation is not subject to limitation (Sonali Power, 2025). For arbitration, check acknowledgments and the buyer's Section 22 disclosures.
"We were unhappy with the quality."	Only a written objection within 15 days of delivery moves the acceptance date. Otherwise acceptance is deemed.
"This was a works contract."	High Courts are split: Bombay and Orissa exclude composite works contracts, Calcutta includes them. The Council rules on the objection first.

17.25% a year, compounding every month

Interest runs from the day after the due date until payment, at three times the RBI Bank Rate, with monthly rests. Monthly compounding turns 17.25% into an effective 18.68% a year.

How it is calculated

1. **Due date** = acceptance + agreed credit days (capped at 45), or + 15 days without an agreement.
2. **Rate** = 3 × Bank Rate: 3 × 5.75% = 17.25% from 7 October 2026.
3. **Monthly rests**: each whole month adds rate ÷ 12 on the running balance. Leftover days earn simple interest.

$$\text{Interest} = P \times (1 + r/12)^m \times (1 + r \times d/365) - P$$

Worked example

₹5,00,000 of goods accepted on 1 March 2026, with 30 days' credit in writing. Due 31 March 2026. Still unpaid on 12 October 2026: 195 days late (6 months and 12 days).

₹47,794 at today's rate (17.25%)

₹45,638 at the rate when it fell due (16.50%). Councils differ on which date's rate applies.

How fast it grows on ₹10 lakh

DELAY	INTEREST	TOTAL OWED
3 months	₹43,748	₹10,43,748
6 months	₹89,410	₹10,89,410
12 months	₹1,86,813	₹11,86,813
24 months	₹4,08,526	₹14,08,526
36 months	₹6,71,658	₹16,71,658

At a constant 17.25%, for illustration.

Bank Rate history

FROM	BANK RATE	× 3
7 Oct 2026	5.75%	17.25%
5 Dec 2025	5.50%	16.50%
6 Jun 2025	5.75%	17.25%
9 Apr 2025	6.25%	18.75%
7 Feb 2025	6.50%	19.50%
8 Feb 2023	6.75%	20.25%

From RBI monetary policy statements. Verify each rate against RBI's release.

₹1,438

interest on every ₹1 lakh for the first month of delay

18.68%

the effective annual rate once monthly compounding runs

~4 years

for an unpaid sum to roughly double at today's rate

Paid late? Claim the interest anyway

If the buyer cleared the bill after 120 days, the interest for the delay is still recoverable under Section 17, within limitation.

Why buyers settle

The interest is never tax-deductible (s.23), the purchase itself is deductible only when paid (s.43B(h) / s.37(2)(g)), and the dues appear in audited accounts (s.22).

From unpaid invoice to recovery

New applications are filed on the MSME ODR portal (odr.msme.gov.in), which replaced Samadhaan for fresh filings. The forum is still the Facilitation Council (MSEFC) of the state where you are located.

- 1 Payment overdue** Day 46 onwards
 Interest starts the day after the due date. Keep delivery proof and correspondence together from day one.
- 2 Claim file and demand letter** Before filing
 Reconcile the ledger, fix the acceptance date for each invoice, compute interest invoice by invoice, check limitation. A demand letter is optional but often settles the matter, and a reply admitting the dues extends limitation.
- 3 Application on the ODR portal** Udyam / UAP login
 Buyer contacts, invoices, payments received, amount due with interest, and documents. Up to ₹4,000 is available towards documentation and Council fees.
- 4 Pre-MSEFC stage** Voluntary · 15 days, up to 30
 The buyer is notified by SMS and email and may reply within 3 days. A guided outcome estimate and unmanned online negotiation follow, and either side can opt out.
- 5 Conciliation** s.18(2)
 The Council, or an institution allotted to it, conciliates. A signed settlement has the status of an arbitral award. Limitation does not bar conciliation (Sonali Power, 2025).
- 6 Arbitration and award** s.18(3)
 The Arbitration Act applies in full. Jurisdiction objections are heard first, counter-claims are allowed, and limitation applies. Conciliation must come before arbitration (Jharkhand Urja, 2021).
- 7 Challenge only after a 75% deposit** s.19 · A&C s.34
 Within 3 months (plus 30 days). Mandatory deposit, with instalments only for hardship. No writ route around it (India Glycols, 2023; scope under review in TANCEM).
- 8 Recovery** A&C s.36
 The award is executed like a civil-court decree. Once notified, the 2026 amendment adds recovery as arrears of land revenue and IBC recognition.

STAGE	TIME LIMIT	SOURCE
Pre-MSEFC stage	15 days from filing, plus 15 with consent	ODR scheme guidelines
Whole reference	Decide within 90 days of reference	s.18(5) (current)
Mediation · referral · award	90 days · 30 days · 90 days from pleadings	2026 amendment, once notified
Release pending challenge	At least 50% if pending over 6 months	2026 amendment, once notified

Guides written before 2025 are out of date

Four changes reshape how a claim is filed, priced and enforced.

The MSMED (Amendment) Act, 2026 Act No. 16 of 2026

Passed by the Rajya Sabha on 3 August and the Lok Sabha on 7 August 2026, and reported as published on 13 August 2026. Provisions start on dates the Central Government notifies, so check before relying on them.

- ✓ **Time limits:** mediation in 90 days, referral to arbitration in 30, award 90 days after pleadings.
- ✓ **Recovery as arrears of land revenue** through the Collector where the buyer's assets are, and IBC recognition.
- ✓ **At least 50% to the supplier** if a challenge stays pending over 6 months. Challenges are filed in the supplier's home court.
- ✓ **Online mediation and arbitration** by audio-video means, as the Centre notifies.
- ✓ **Central PSUs must settle MSME invoices through TReDS.** States may extend this.
- ✓ **More Councils**, each with a legal member. Graded penalties for buyers that skip s.22 disclosures.

7 Oct 2026

Interest is now 17.25%

RBI raised the repo rate to 5.50%. The Bank Rate moved to 5.75%, and three times that is 17.25%, up from 16.50%. Refresh older claim schedules.

Oct 2025

New filings on the ODR portal

Samadhaan now directs new applicants to odr.msme.gov.in (launched 27 June 2025). Older applications continue on Samadhaan.

1 Apr 2026

s.43B(h) becomes s.37(2)(g)

Under the Income-tax Act, 2025, late payments to micro and small suppliers remain deductible only when actually paid.

27 Jun 2026

Samadhaan 2.0

Reported to require monthly reporting of dues owed to MSMEs by central ministries, departments and central PSUs.

Two Supreme Court references pending

Registration before the contract (NBCC, three judges). Writs against awards, and conciliators acting as arbitrators (TANCEM, five judges). Neither decided as of 12 October 2026.

Mediation replaces conciliation, once notified

The Mediation Act, 2023 rewrites Section 18 for mediation. That part (s.62) is not yet in force, so conciliation continues for now.

What to do now

- ✓ Recompute pending claims at 17.25% and state which date's rate you use
- ✓ Register on Udyam before signing new orders, and keep each year's certificate
- ✓ Watch for the notification that brings the 2026 time limits into force
- ✓ File new applications on odr.msme.gov.in, not Samadhaan
- ✓ For old dues, collect balance confirmations and part-payment records
- ✓ Ask large buyers to settle through TReDS where they are onboarded

Ten rulings, one table

What each held, and how it helps or hurts a claim. Full summaries and judgment links are on the website's case law page.

CASE	HELD	USE IT FOR
Mahakali Foods 31 Oct 2022 · (2023) 6 SCC 401	Chapter V overrides the Arbitration Act. A private arbitration clause does not bar a Council reference. The Council rules on its own jurisdiction. Registration after the contract works only prospectively.	Defeating "our contract has an arbitration clause".
Silpi Industries 29 Jun 2021 · (2021) 18 SCC 790	Limitation applies to s.18(3) arbitration. Buyers' counter-claims and set-off are maintainable. Registration should precede the contract.	Expecting counter-claims; timing filings.
NBCC (India) Ltd. 10 Jan 2025 · 2025 INSC 54	"Any party" in s.18(1) is broad, so registration is not a precondition to a reference. Referred to a three-judge bench.	Late registrants. Still pending.
Sonali Power Equipments 17 Jul 2025 · 2025 INSC 864	No limitation for conciliation, so time-barred claims can be settled. Limitation applies to arbitration. s.22 disclosures may extend time, case by case.	Reviving old claims.
India Glycols 6 Nov 2023 · CA 7491/2023	No writ petition to avoid the s.19 deposit. Challenge under s.34 after depositing 75%.	Blocking delay tactics.
Tamil Nadu Cements 22 Jan 2025 · 2025 INSC 91	Referred to five judges: is the writ bar absolute, and can conciliators arbitrate?	Watching for changes.
Tirupati Steels and Aska Equipments 19 Apr 2022 · 8 Oct 2021	The 75% pre-deposit is mandatory. Instalments are allowed only for hardship. Execution can continue until deposit.	Pressing execution.
Jharkhand Urja Vikas Nigam 15 Dec 2021 · CA 2899/2021	A Council order passed without conciliation and arbitration is a nullity. The steps cannot be clubbed.	Insisting on due process.
Shanti Conductors 2019 · (2019) 19 SCC 529 · 3 judges	Under the 1993 Act, liability attaches to the supply, not the contract date.	Supplies after registration.
Works contracts Bombay, Orissa, Calcutta HCs	Bombay (P.L. Adke, 2021) and Orissa (IOCL v. Adarsh Nobel, 2025) exclude composite works contracts. Calcutta (HPCL v. WB MSEFC, 2023) includes them.	EPC and construction claims.

Summaries simplify the judgments. Read the full text and check for later decisions before relying on any ruling.

Claims are won on paper

Document checklist

- ✓ Udyam or UAP certificate, and any earlier UAM or EM-II
- ✓ Purchase or work orders, contract, credit terms
- ✓ Invoices, and GSTR-1 showing them reported
- ✓ Signed challans, LR's, e-way bills, GRNs, completion certificates
- ✓ Buyer's ledger account, bank receipts, credit and debit notes
- ✓ Form 26AS or AIS showing TDS on your invoices
- ✓ Balance confirmations, payment promises, part-payments
- ✓ Any written objection, and how it was resolved
- ✓ Invoice-wise interest schedule and demand letter

How I help suppliers

- ✓ **Claim assessment:** eligibility, registration, limitation and risks, before you file
- ✓ **Claim statement:** invoice-wise principal and s.16 interest, tied to evidence
- ✓ **ODR filing:** application, documents, notices and tracking
- ✓ **Conciliation:** settlement positions grounded in the law and the buyer's tax exposure
- ✓ **Arbitration support:** pleadings and submissions, with appearance where the Council's rules permit
- ✓ **After the award:** deposit monitoring, and execution with your advocate

And buyers

Vendor MSME status checks, 45-day ageing, interest provisioning, 43B(h) / 37(2)(g) workings, MSME Form I and s.22 disclosures.

START WITH YOUR INVOICES

Send the list of unpaid bills. I will tell you what the law says they are worth.

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WEBSITE: ELIGIBILITY CHECK, CALCULATOR, CASE LAW
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Scan for the eligibility check

Seven questions, an instant answer with reasons, and an interest calculator that builds your claim schedule.

Do I need a consultant to file? No. The portal is open to every eligible enterprise. Help pays off when amounts are large, records are messy or the buyer will contest.

What does a challenge cost the buyer? A deposit of 75% of the award before any court will hear it.

General information on the law as of 12 October 2026, not legal advice. An engagement starts only with a written scope and fees, and fees are not contingent on the outcome. This is an independent professional practice, not affiliated with the Ministry of MSME, any Facilitation Council, or the MSME ODR or Samadhaan portals, which are free for any eligible enterprise to use. Interest figures are illustrations, and Councils may compute differently. Also by the author: catool.co.in.