

## MSME &amp; FINANCE

# TReDS — Now Mandatory for All CPSEs Purchasing from MSMEs

Budget 2026-27 mandate, GeM integration, and MSMED Act obligations explained

## What is TReDS?

TReDS (Trade Receivables Discounting System) is an RBI-regulated electronic platform that enables MSMEs to receive early payment on their trade receivables. The mechanism: MSMEs upload invoices to TReDS → banks/financiers bid to finance → MSME receives immediate payment → the buyer (CPSE or private company) repays the financier on the original invoice due date.

## Budget 2026-27: The New Mandate

- All CPSEs (Central Public Sector Enterprises) must now register on TReDS
- CPSEs must use TReDS for ALL MSME purchases — not selective
- GeM (Government e-Marketplace) procurement invoices will flow directly into TReDS
- TReDS receivables are now securitisable — can be sold to MFs, AIFs, and Insurance companies
- Enhanced CGTMSE coverage for invoice discounting under TReDS
- Non-compliance by CPSEs will attract regulatory scrutiny

## Private Sector: Existing Obligations Continue

TReDS remains voluntary for the private sector. However, the MSMED Act 2006 obligations continue to apply with full force:

- MSMEs must be paid within 45 days of delivery/acceptance
- Delayed payments attract compound interest at 3x the RBI bank rate
- Companies must disclose MSME outstanding dues in their Annual Report
- Auditors are required to report MSME payment delays in their audit report
- MCA mandatory disclosure: MSME payment status in financial statements

## TReDS vs Direct Payment — Comparison

Parameter	With TReDS	Without TReDS
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Payment timing	Immediate (on invoice upload)	45 days or more
Working capital impact	None — MSME gets paid upfront	Blocks working capital
Discounting cost	Competitive bidding by banks	N/A
MSMED Act risk	Eliminated	Penalty interest if delayed
Regulatory compliance	Fully compliant	Requires manual tracking

## Action Items for CPSEs

- Register on one of the three RBI-approved TReDS platforms: RXIL, M1xchange, or Invoicemart
- Update procurement policy to route all MSME invoices through TReDS
- Coordinate with IT teams for GeM-TReDS integration once the facility goes live
- Brief finance and vendor management teams on the new mandatory process
- Review existing MSME vendor list and ensure all are onboarded on TReDS

*Disclaimer: This note is for informational purposes. It is based on Union Budget 2026-27 announcements and MSMED Act 2006. Final operational guidelines from RBI/MCA may vary. Consult your compliance team and CA for entity-specific guidance.*

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