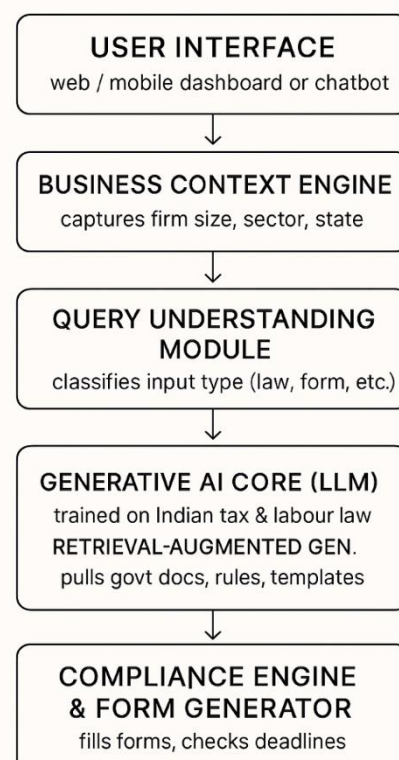## Lexably: Our solution that helps Indian MSMEs deal with complex taxation, labour laws and compliances

Problem Statement: India has 1.3 Crore+ MSMEs. These businesses are critical to the Indian economy as they employ more than 6 crore people and contribute 30% to the GDP. However MSMEs are trapped in a 'compliance nightmare' , spending almost 30% of their time on 69 different government requirements across 15+ portals. Business owners waste 150+ hours monthly on taxation law and labour law compliance which diverts focus from growth, R&D to legalities. MSMEs pay 1.2 Lakh Crores Rupees annually in penalties. Current solutions are fragmented and expensive. Our solution can free up 6-8 hours weekly per business, save upto 2 lakh annually in penalties, unlock India's economic potential by enabling MSMEs to focus on business growth, national competitiveness and employment generation.

Target Audience and Context: The specific audience targeted includes founders and HR professionals in Indian who struggle with navigating complex taxation, labour laws, and compliance requirements. MSMEs being small do not have enough finances to have dedicated legal teams or resources which makes it difficult to stay updated with frequent regulatory challenges. As a result they face challenges in ensuring timely compliance, avoiding penalties, and managing workforce regulations. Our solution, Lexably is designed to simplify and automate these processes to help MSMEs operate smoothly while focusing on growth without being burdened by legal and regulatory complexities.

Use of Gen AI: Gen AI, implemented into Lexably will be a powerful solution to the compliance challenges faced by Indian MSMEs by interpreting complex tax codes, tax forms (like GSTR 3B, GSTR 9, Form 10E), labour laws (like EPF, ESI) and regulatory requirements easily. It can automatically read legal updates, extract relevant actions, and generate checklists, reports, and forms tailored to each business's needs. Users can ask compliance related questions and receive simplified and instant answers which will help in understanding complex legal jargon. Traditional systems rely on fixed rules but Gen AI continuously learns and adapts to new regulations. It handles unstructured legal data, automates repetitive documentation tasks and integrates seamlessly into daily HR and operational workflows. It will help founders and HRs with intelligent guidance and transform regulatory burdens into a streamlined, automated, and stress free experiences.

Solution Framework: During onboarding, Lexably's AI tailors itself to the business's specific sector, as different sectors have vastly different compliance requirements. The platform interprets complex regulations from GST returns to wage laws and PF/ESI norms and generates prefilled forms based on the MSME's size, sector, and state.The approach uses a finetuned LLM trained on Indian tax codes, labour laws, and regulatory frameworks. With Retrieval Augmented Generation (RAG), the AI stays updated with government notifications, ensuring contextual accuracy and legal relevance.Users interact via a dashboard or chat interface. A business context engine captures firm specific details, and a query classification module determines the intent, whether filing GSTR 3B, generating Form 16, registering under the Shops and Establishments Act, or checking ESI eligibility. The AI reasons over laws, fetches documents or templates, and generates natural language responses, prefilled forms, PF/ESI registers and compliance checklists. The system proactively tracks deadlines and alerts users about pending or upcoming compliance tasks. Being sector specific, it also recommends other relevant regulatory actions. Businesses can scan revenue documents using, and the extracted

USER INTERFACE
web / mobile dashboard or chatbot

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BUSINESS CONTEXT ENGINE
captures firm size, sector, state

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QUERY UNDERSTANDING MODULE
classifies input type (law, form, etc.)

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GENERATIVE AI CORE (LLM)
trained on Indian tax & labour law
RETRIEVAL-AUGMENTED GEN.
pulls govt docs, rules, templates

↓

COMPLIANCE ENGINE & FORM GENERATOR
fills forms, checks deadlines

data is automatically parsed to prefill GST return forms. All generated forms include a 'Convert to PDF' option, allowing legal counsel to review the output adding a human layer to automated processes. This ensures accuracy, reduces legal risk and cost, and enables MSMEs to maintain full compliance across financial and labour domains.

Feasibility and Execution: Lexably will be implemented by using React for the UI. The backend can be powered by FastAPI, with PostgreSQL for structured data storage. For LLM orchestration and RAG purposes, LangChain will be used along with Pinecone for vector search. OCR functionality can be implemented using Tesseract. Background tasks and scheduling can be managed with Celery and Redis. Deployment and scalability can be handled using Docker. For system monitoring and performance tracking, Prometheus can be used. This would ensure that our solution has modularity, performance and ease of integration with legal datasets.

Scalability and Impact: The solution is built to scale seamlessly across different industries to suit specific business needs. By using Lexably to manage routine tax and labour law compliance tasks, it would save MSMEs time, reduce human errors, and lower the risk of legal penalties. It can lead to widespread improvements in efficiency and compliance. As more and more businesses will join the system becomes smarter and more context aware. This will help help MSMEs grow sustainably, generate more employment. access formal credit with ease and play a larger role in driving India's digital and economic growth.

Conclusion: Our idea Lexably is a Gen AI powered compliance assistant for Indian MSMEs, automating sector specific tax and labour law workflows. Its key strength lies in adapting to different industries with minimal input offering real time, intelligent support for complex legal requirements. With over 6.3 crore MSMEs navigating regulatory challenges, Lexably meets a large market need by reducing legal risks and enabling formal growth making it a scalable business solution.

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