MSME business

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Chairman, CII National MSME Council

FROM THE CHAIRMAN'S DESK

Indian MSMEs have collectively withstood the shocks and aftereffects of the global economic meltdown. Contrary to the global trends Indian MSMEs have successfully maintained high growth trajectory. During the economic slowdown period, MSME sector contributed significantly in keeping the national economy afloat. With the increasing signs of economic recovery, Indian MSMEs are fully geared to leverage the emerging opportunities in the domestic as well as international markets.

Business Confidence Index (BCI) for SMEs in the last quarter of the year, October-December 2010, is estimated at 67.0 on an outlook scale of 0-100. The growing domestic demand has propelled this renewed confidence. One can also expect MSME exports to pick up considerable pace hereon.

To discuss and understand various nuances of this sector, CII in collaboration with Ministry of Micro, Small and Medium Enterprises organised "The India SME Summit". The summit witnessed excellent response from within India as well as abroad. Delegates from as many as 25 countries attended the Summit. The Summit directed attention on the need for Indian SMEs to enter into collaborative arrangements with overseas players. The most important outcome of the Summit is the 'loud and clear' message that technology adoption and innovative financing are the major imperative for SME growth and development. India should take initiatives to promote SME-to-SME level interactions and trade with various countries.

Several positive developments have taken place recently. The recently concluded state visit of the US President Barack Obama has set the tone for greater India-US SME cooperation. Furthering this agenda, the Indian Government has invited American SMEs to set up operations in India by entering into joint ventures with the Indian firms.

Going green is the way forward for businesses across geographies and sectors. Indian MSMEs are focusing upon this imperative in significant ways. A Finnish delegation headed by Dr Paavo Vayrynen, Minister for Foreign Trade & Development, Finland, discussed the opportunities for Indo-EU collaborations in this domain at an interaction session held recently at the CII-Sohrabji Godrej Green Business Centre, Hyderabad.

On the domestic front, the Department of Industrial Policy & Promotion (DIPP) has released a discussion paper on allowing FDI in limited liability partnerships (LLPs). The paper raises vital issues like 100% FDI to be allowed in LLPs and voting rights to foreign investors. At the same time, the Central Government has introduced certain changes to the Apprentices Act 1961. According to the Act, the Central Government and employer shall equally pay to every apprentice during the period of apprenticeship training such stipend as may be specified in the contract of apprenticeship

These developments would further promote the overall interests of the MSME sector, which is the real engine of economic growth. The current edition of 'SME Business' has brought all these developments for your reference. 'SME Business' is dedicated to the cause of promoting MSMEs and requires more active participation from all the stakeholders.

R Datla

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Building Bridges: India-US SME Cooperation

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Govt underscores cluster approach for MSE growth

Government has adopted the cluster approach for the development of MSEs, said a recent release from the Ministry of Micro, Small and Medium Enterprises (MSME). The Ministry has adopted the cluster approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of micro & small enterprises and their collectives in the country.

So far, under the Cluster Development Programme, 473 MSE-Clusters have been taken up for various interventions and out of this, interventions in 265 clusters has been completed. Under Infrastructure Development (ID), 124 projects have been taken, out of which 88 projects have been completed. In the 23rd Steering Committee Meeting for MSE-CDP held under the Chairmanship of Secretary (MSME), two proposals of Common Facility Centres, two proposals for In-principle approval for setting up of CFCs, six proposals for soft interventions including proposal from UNIDO project for intervention in Machine Tool Industry and nine proposals for conducting Diagnostic Study in new clusters were approved. ■

SIDBI embarks on new programme for MSMEs

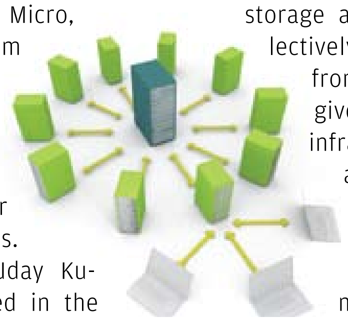
The Small Industries Development Bank of India (SIDBI) has announced that in association with German government it has embarked on a new programme to assist MSMEs which will make this sector more competitive and vibrant in international market. As per the agreement between SIDBI and German Technical Cooperation (GTZ), Government of Germany, the Micro, Small, and Medium Enterprises Financing and Development Project of SIDBI will facilitate special loans and others forms of finance. Through this agreement the emerging companies will get easier access to banks and training. The development initiative will further contribute to strengthening the competencies of banks and financial institutions, service providers, chambers and associations. ■

MSME growth will spur IT sector

MSME growth will push the adoption of information technology in the country, said Department Information Technology Secretary, Mr Shashi Kant Sharma, at a recent event organised in Bangalore. "Most of the MSMEs, especially export oriented companies, are adopting IT in a big way. MSMEs account for 8% of the country's GDP," Sharma said while speaking on the theme `MSME´s, the growth drivers for Indian IT´. Software Technology Park of India (STPI) Director General, Mr Omkar Rai, said that the MSME sector needs a specific policy in terms of IT. Even though the MSME sector is ready for IT adoption, SMEs still face huge challenges to carry it forward, he added. Rai also pointed out lack of availability of affordable IT infrastructure and innovative technology is one of the major challenges for the sector. ■

Scheme to promote cloud computing on the anvil

The Ministry of Micro, Small and Medium Enterprises (MSMEs) is planning for a scheme on cloud computing to help the domestic MSMEs to lower their IT infrastructure costs. MSME Secretary, Mr Uday Kumar Varma, was quoted in the media saying that the web infrastructure will facilitate Internet data storage and computing. "Collectively what we can do from cloud computing is give MSMEs the possible infrastructure at a most affordable price," he said, adding, "Cloud computing provides cost-effective automation organisational processes allowing MSMEs to share software." ■



Small units seek social security programme

Representatives of micro, small, and medium enterprises (MSMEs) have demanded a social security programme for entrepreneurs running these units. Small and medium industries contribute to the economy in a big way by paying taxes and duties, but when it comes to their security, nothing substantial had been done, they maintained. "When an entrepreneur falls sick or an industry becomes sick, nothing is done to help them. A media report referred to the entrepreneurs stating "we need social security and the government should formulate a policy in this regard," stated the entrepreneurs, adding that the Government should also take steps to ensure that small entrepreneurs get their payment from big industries on time. ■

Kalam calls for mentoring of MSMEs

Prime Former President of India, Dr A P J.Abdul Kalam, has stressed upon the growing importance of the SME sector and called for a support structure involving mentoring, funding and marketing techniques for a sustainable growth and expansion of the MSME sector in the country. He referred to two unique qualities that can be attributed only to MSME's in the country – location and scale independent as they can be established and made operational from any part of the country whether in rural as well as urban areas and on any scale dependent on any requirement of a particular MSME unit. The youth in India forms nearly 500 million persons and they can be tapped properly. They can be a huge boost to the growth of the MSME sector, he added.

The MSME sector in India has grown steadily in the country presently these enterprises account for almost 45 percent of manufacturing output, 95 percent of the number of industrial units and 40 percent of exports. Clearly, they are engines of growth. Besides, the sector provides employment to almost 60 million people, making it the largest source of employment after the agriculture sector. ■

Cluster inputs for Assam artisans

The Regional Resource Centre, under the Indian Institute of Entrepreneurship, Guwahati, is working toward orienting the entrepreneurs and artisans in the state on cluster formation and inform them about the role of cluster development in boosting industrial development of the state. The institute has maintained that a cluster of artisans would be formed comprising at least 50 units and training would be provided to them. A common facility centre will be set up to produce products in large-scale under the scheme which can be used by the cluster members. ■

Procurement Preference

The Delhi High Court in its order on Central Government Purchases from Small Scale Units has stated that the provision for special preferences to Small Scale Units (SSUs) in government stores purchase has been a stated policy of Government of India. Through circulars different Ministries were advised to provide four major benefits to units registered with NSIC:

- Issue of tender sets free of cost
- Exemption from payment of Earnest Money
- Waver of Security Deposit (to the monitory limit for which the unit is registered)
- Price preference up to 15% over the quotation of large scale units

The Court observed that the compliance of these recommendations has not been mandatory and over a period of time, the SSUs have come to be denied these promised benefits by most of the Government agencies/ PSUs. The reason cited by the authorities has been that the recommendations have been 'discretionary' and 'not mandatory'.

The Court issued an important clarification through the Order observed [Delkon Textiles Vs Ministry of Railways WP(C) no. 7704 of 2009 Dt. 12.08.2010]: "If the circular Dt 28th Aug 2000 (recommending the benefits to MSEs) is read as being purely discretionary then the object sought to be achieved by such Circular would be defeated. Accordingly it is held that unless there are good reasons for not extending to duly qualified SSU the benefit under the circular dated 28th August 2000 by Ministry of Small Scale Industries & Agro and Rural Industries, Govt. of India, which reasons must be recorded in writing, such a qualified SSU should be extended all the benefits, including price preference of 15% over the price quoted by the qualified large scale unit in terms of above circular. The railways shall implement the said circular dated 28th August, 2010 while evaluating the bids submitted by the SSUs in the tenders floated by it". ■

Business Confidence Rising

The 2nd quarterly survey of CII measuring the Business Confidence Index (BCI) of SMEs shows bullish outlook of the sector for the quarter October-December 2010

In what could be regarded as the most positive newsflow for the MSME sector, the 2nd quarterly survey of CII, measuring the Business Confidence Index (BCI) of SMEs, shows bullish outlook of the sector for the quarter October-December 2010. The BCI for the current quarter is estimated at 67.0 on an outlook scale of 0-100, moving from most unfavourable to favourable situation.

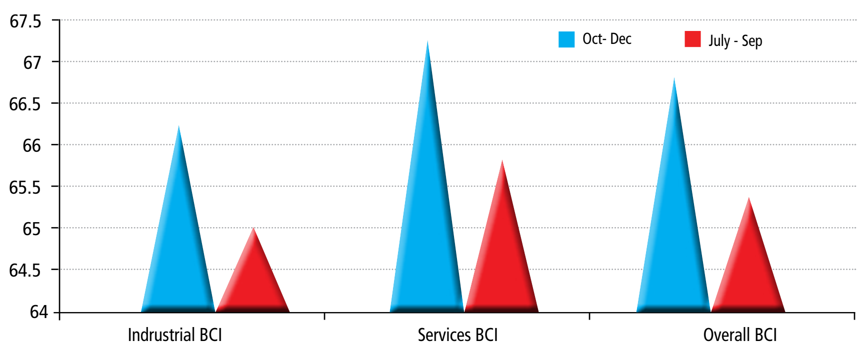
A value of 50 is the dividing line between favourable and unfavourable change in the outlook. What is even more significant is that the outlook of this critical sector has improved over the last quarter by a significant 1.4 points. “This is a positive sign of a sector emerging from the shock of the global economic meltdown, and having a huge employment potential” said Mr Chandrajit Banerjee, Director General, CII.

According to the Survey, much of the buoyancy in SME performance is on account of domestic demand rather than exports. Exports prospects for SMEs have come down significantly from the last quarter, which is not surprising given the slow and uncertain economic recovery in large part of the western markets. The appreciating Indian rupee against the US dollar is further adding to the woes of the SME exporters, the Survey states.

CII Survey, which aims at gauging the mood of the SMEs a quarter in advance, shows that services sector on an average are expecting to perform better than the industrial sector. Estimated BCI value of services SMEs stood at 67.5 compared to 66.5 for industrial SMEs. Services exuberance even in the previous quarter had surpassed the industrial sector by some margin.

Based on a list of 14 exhaustive outlook indicators, the CII Survey has highlighted four variables – gross sales, new orders / contracts, capacity utilisation, and capacity expansion that have done exceptionally well to cross the mark of 75 on BCI scale to indicate significantly better outlook (more than 10%) from the previous quarter. This, in turn, is also keeping the prospects of employment in the sector bright with its BCI standing at 73.6.

BCI of SMEs



Source: CII Business Confidence Index for SMEs – October – December 2010

Most of the other variables in the Survey registered BCI values in the range of 51-75, indicating a favourable improvement (1-10%) in the outlook over the previous quarter. Only input costs (28.9) fell in the range of 25-49%, indicating that firms expected an increase in the inputs costs to the extent of 1-10% over the quarter ending September, 2010.

The CII in the Survey reports improved outlook on the prospects of credit availability for SMEs, even though it continues to be far below to be stated as `most favourable´. Significantly, the rising credit cost has so far not started affecting the SME businesses adversely, with BCI value of it staying above 50. This, among other factors, could be attributed to implementation of Benchmark Prime Lending Rate (BPLR) from July 1, 2010. However, CII is worried about relatively low and declining value of BCI for credit cost for undertaking capacity expansion. With given upward pressure on interest rates, it may not be too long before credit cost starts adversely impacting the capacity expansion of this critical sector of the economy, warns the CII Survey.

Within SME sector, the industrial sector is found to have outshined the services sector with regard to gross sales, new orders / contracts, exports, selling prices and inventory levels.

In most of the other respects, the industrial sector is found to be much lacking. CII has found that SMEs in industrial sector seem to be relatively less favourably placed in terms of credit availability and credit cost of working capital as compared to their counterparts in services sector, possibly highlighting the role of a pro-active policy interventions in these area.

Further, the prospects on Net profit margin for October-December quarter in industrial SMEs is found to be far lower than that in services SMEs, owing primarily to greater adversity of rising input costs in former than in later. ■

A Gem on Export Cap

Gems & Jewellery industry constitutes a key part of the MSME sector, accounting for a high share of exports and employment generation. Government is taking key steps to strengthen MSMEs in this domain

The Eurozone debt crisis that threatened to send the global economy into another tailspin showed signs of abating, but recent reports indicate that the problem is far from over. Investors are apparently still concerned about the future solvency of Europe's weakest economies -- Greece, Spain and Portugal. They believe that recovery in the zone is extremely disparate, with Germany racing along while others, including Spain, labour with high unemployment and meager medium-term growth prospects. Nor have the fundamental weaknesses of the Eurozone been alleviated. S&P downgraded Ireland because of concerns over its ailing banking system, which has been crushed by property-market losses.

Gems & jewellery industry occupies an important position in the Indian economy as the leading foreign exchange earner. The industry broadly comprises SMEs. According to a KPMG-IBEF report, there are over 15,000 players across the country in the gold processing industry, of which only about 80 players have a turnover of over $4.15 million (Rs 200 million). There are about 450,000 goldsmiths spread throughout the country. Besides, the industry is dominated by family jewellers, who constitute nearly 96% of the market and most of the jewellery made in India is handmade. Organised players, however, have been growing steadily to carve a 4% market share.

Present Picture

SME gems & jewellery export units which faced plunging margins during the recession are now witnessing an upsurge in demand and sales with the recovery in the global economy. Demand resurgence in the US and Europe has provided a boost to the export of gems and jewellery from India. The Gem and Jewellery Export Promotion Council's (GJEPC) performance figures showcased the true resilience of the Indian industry over the last year when it continued with its consistent plans of building trading relations and penetrating newer markets.

According to GJEPC, India's gems and jewellery exports recorded a phenomenal growth in September 2010 on the back of a rise in demand of mid- and low-end diamond jewellery in the US. The US constitutes nearly 40% of diamond jewellery consumption in the world. Data compiled by the apex trade body showed that the total exports rose a staggering 56% to $4,061.87 million in September, against $2,602.26 million in the corresponding month of the previous year.

In rupee terms, however, the total shipment rose 48.42% at Rs 18,708.96 crore from Rs 12,605.36 crore in September 2009. Overall, imports of gems and jewellery also rose sharply at $2,849.88 million (Rs 13,126.54 crore) in September – an increase of 62.24% as compared to $1,756.53 million (Rs 8,508.63 crore) in the corresponding period last year.

During the first half of the current financial year, total exports of gems and jewellery was recorded at $18,893.38 million (Rs 87,042.84 crore), a sharp rise of 45.84% (38.42 in rupee terms) as compared to $12,954.78 million (Rs 62,883.74 crore) in September last year, says the report.

Imports of rough diamonds at $5,711.94 million (Rs 26,396.16 crore) during the first half showed an increase of 44.99% (38.11% in rupee term) compared with the imports at $3,939.44 million (Rs 19,111.83 crore) during the corresponding period of the previous year.

According to the GJEPC data, the growth for manufacturing export was at 30.05% in dollar terms in the first half of this financial year, compared to the same period last year. In rupee terms it recorded a growth of 23% in

net manufacturing exports. Export of cut and polished diamonds stood at $2,398.57 million (Rs 11,047.82 crore) in September, recording a growth of 36.41% (29.71% in rupee term) as compared to $1,758.37 million (Rs 8,517.56 crore) last year.

During the first half of this financial year, the total consumption of cut and polished diamonds stood at $12,714.83 million (Rs 58,606.45 crore) recording a growth of 61.54% (53.44% in rupee term), compared to $7,870.91 million (Rs 38,194.82 crore) for the same period last year.

According to a statement by GJEPC in the media, overall trade (exports and imports) of cut and polished diamonds stood at Rs 58,606.45 crore and Rs 38,846.79 crore between April and September, as compared to Rs 38,194.82 crore and Rs 23,699.78 crore, respectively, during the corresponding period last year. Provisional export of gold jewellery for the first six-month period stood at $5,340.46 million (Rs 24,573.98 crore) recording a growth of 20.04% (13.74% in rupee term) from $4,448.75 million (Rs 21,606.29 crore) in the corresponding of the previous year.

In contrast, export of coloured gemstones was at $138.79 million (Rs 640.95 crore) recording a decline of 2.06 per cent (6.73 per cent fall in rupee term) in the first half of the current financial year, compared to $141.71 million (Rs 687.22 crore) in the same period last year.

Various media report says that SME diamond traders as well as processing and polishing units, which were compelled to shut shops due to demand slump, are now resuming their operations at full capacity in order to meet the resurgent demand.

Government Initiative

The Ministry of Commerce & Industry has taken the following steps to boost the prospects of this industry:

- MSTC Limited and STCL Limited have now been added under the list of nominated agencies notified under para 4 A.4 of Foreign Trade Policy for the purpose of import of precious metals.
- Surat in Gujarat, which is home to thousands of diamond units with lakhs of diamond workers, has been recognized as "Town of Export Excellence".
- Authorised persons of gems and jewellery units in Export Oriented Units shall be allowed personal carriage of gold in primary form up to 10 kg in a financial year subject to Reserve Bank of India and customs guidelines.

Foreign Trade Policy (2009-2014) Initiatives

Under this policy, the following provisions have been made to aid the gems & jewellery industry:

- Import of gold of 8k and above is allowed under replenishment scheme subject to import being accompanied by an Assay Certificate specifying purity, weight and alloy content.
- Duty Free Import Entitlement [based on Free On Board (FOB) value of exports during previous financial year] of consumables and tools for: Jewellery made out of: Precious metals (other than gold & platinum) - 2%, Gold and platinum - 1%, Rhodium finished silver - 3%, Cut and polished diamonds - 1%
- Duty free import entitlement of commercial samples shall be US $ 6,187.94.
- Duty free re-import entitlement for rejected jewellery shall be 2% of FOB value of exports.
- Import of diamonds on consignment basis for certification/ grading & re-export by the authorised offices/ agencies of Gemological Institute of America (GIA) in India or other approved agencies will be permitted.
- Personal carriage of gems & jewellery products in case of holding/ participating in overseas exhibitions increased to US$5 million and to US$1 million in case of export promotion tours.
- Extension in number of days for re-import of unsold items in case of participation in an exhibition in USA increased to 90 days.
- In an endeavour to make India an international trading hub for diamond, it is planned to establish "Diamond Bourse (s)".

In another development, the Bharat Diamond Bourse (BDB) has been inaugurated in Mumbai to facilitate diamond exports from the country. This development holds immense significance for the numerous SMEs in the diamond industry because BDB, the diamond hub- will seek to offer advanced infrastructural facilities to SME-based traders, exporters and importers of diamond.

The trading hub, which is expected to become operational in a few months, is likely to attract more foreign diamond traders to India. This development spells well for SMEs in this sector which would stand to gain from increased exports. ■

Building Bridges: India-US SME Cooperation

India and the US have taken firm steps to encourage MSMEs in both countries to enter into collaborative arrangements. The GEMS initiative underlines this approach

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In deepening the US-India bilateral economic cooperation, the small and medium sector has lately received the attention of government and industry in both countries. This came to the fore when the CII CEO delegation, led by Mr Hari Bhartia, President, CII & Co-Chairman and Managing Director, Jubilant Organosys, accompanied Mr Anand Sharma, Minister of Commerce and Industry, Government of India, on his official visit to USA and Canada, attended the inaugural meet of the US-India SME Forum, co-organised by CII and the US India Business Council in Washington DC on September 21.

The delegation comprised of Mr Y C Deveshwar, Chairman, ITC Limited; Ms Preetha Reddy, Managing Director, Apollo Hospitals; Mr Rajan Navani, Managing Director, Jetline Group; Mr Pheroz Vandrewala, Executive Director and Head - Global Corporate Affairs, Tata Consultancy Services; Mr Deep Kapuria, Chairman, Hi-Tech Gears; Mr Chandrajit Banerjee, Director General, CII; Mr K R L Narasimham, Executive Vice President & Country Manager, Larsen & Toubro USA; Mr H Sriram Iyer, Head North America Operations, ICICI Bank Ltd; and Ms Kiran Pasricha, CEO, Aspen Institute India and Deputy Director General, CII.

Subsequently, a CII Business & Trade delegation comprising SMEs explored trade and business opportunities in the states of Illinois (Chicago), Washington DC, Indiana (Indianapolis) and Ohio (Cincinnati). The delegation met with US Government officials including Senator Richard Lugar, Senate Foreign Relations Committee; Under Secretary Francisco Sanchez, US Department of Commerce; Greg Ballard, Mayor of Indianapolis; Todd Rokita, Indiana Secretary of State and the representatives from the US Commercial Service as well as Ohio Department of Commerce.

The over-riding objectives of the meetings were to:

- Increase bilateral trade and investment with particular emphasis on SMEs
- Assess the opportunities for Indian SMEs in areas that of interest to the US


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- Promote strategic business alliances with counterpart SMEs/OEMs/ aftermarket suppliers in both and/or third countries
- Promote scientific and technological links
- Facilitate capacity building and innovation engaging Indian and US SMEs.

Speaking at the inaugural meeting of the US India SME Forum in Washington DC on September 21, Mr Hari Bhartia said that SMEs form the backbone of both the Indian and the US economy and that the growth and development of this sector is central to the overall economic growth of both countries.

Mr Bhartia outlined infrastructure, low cost manufacturing, agriculture, social services including education and health as priority sectors to tap into, while exploring commercial opportunities in India.

Toward this, the recently launched India-USA SME Forum will engage the CEOs from midsize companies in each country to work towards facilitating a policy enabling environment for SMEs, highlighting the concerns of SMEs in US and India, leveraging technology and sourcing, finding opportunities for bilateral commercial engagement as well as strengthening the global supply chain

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management systems

Linkages between component / sub-system manufacturers in both countries will define the way forward for India–USA SME cooperation. Involving SMEs from both sides will help in achieving bilateral trade targets, said Mr T T Ashok, Leader of the CII delegation and Deputy Chairman, CII Southern Region.

Mr Chandrajit Banerjee, Director General, CII, said the next phase of growth in India-US bilateral economic relations will come from the SME sector. US Department of Commerce has initiated a Growth in Emerging Metropolitan Sectors (GEMS) program to accelerate business growth and will form great markets for US and Indian businesses.

The SME Initiative presents a '"win-win" opportunity for both sides and enriches the global value chain to mutual advantage, encouraging companies to explore beyond the well known metros. High-technology Indian firms involved in areas such as nanotechnology, software and IT services, precision engineering, design and research, etc. match well with the US competencies.

Conventional industries such as auto components, chemicals, pharmaceuticals, textiles and apparel, food processing, etc., where the US enterprises also have strong capabilities are sectors of high performance in India. Therefore, a strong partnership of the SME sectors of the two sides is natural.

The 25 member CII delegation included entrepreneurs with interest in diverse sectors such as Energy – Power Generation and Distribution, Nuclear, as well as Renewable Energy; Cement, Mining, Steel, Metallurgy, Education & Training, Information Technology, Media, Entertainment, Manufacturing, Automotives, Engineering, Food Processing, Retail and Agri Business that represent the Indian industry, from across India.

GEMS

To take the bilateral SME cooperation to the next level, CII in partnership with the US India Business Council (USIBC) organised the inaugural GEMS conference in Pune on September 28 with a focus on 'Growth in Emerging Metropolitan Sectors' (GEMS).

The GEMS initiative, led by the US Department of Commerce aims to venture out to Tier-II and Tier-III cities in India in an effort to identify opportunities for India-USA business collaboration. Pune, as a rapidly growing city, exemplifies the emerging SME sector, necessary for the next level of economic growth and job creation.

Mr Francisco Sanchez, Under Secretary of Commerce for International Trade, International Trade Administration, US Department of Commerce, underscored the need to identify cities in India, like Pune, where business opportunities can be found across sectors like clean energy, education, manufacturing and more. The promise of urbanisation presents tremendous opportunity for business to fulfill the needs gap in products, services, infrastructure.

Dr Uday Kumar Varma, Secretary, Ministry of Micro, Small and Medium Enterprises outlined specific recommendations to provide a boost to the SME sector – creating an additional focus group for SMEs under the Indo-US Trade Policy Forum and creating a CEOs Forum for SME as institutional mechanisms for exchange of ideas and technology.

1: US President, Mr Barack Obama, at a soil testing instruments stall during visit to Mumbai

2: Launch of GEMS in Pune (L-R) Mr Ron Summers, President, USIBC Ms Jude Reinke, Commercial Counselor, US Embassy; Mr Tarun Das, Chairman, CII India-US Council; Mr Francisco Sanchez, US Under Secretary; Mr Mohansingh Rajpal, Mayor of Pune; Ms Kiran Pasricha, Deputy Director General, CII

3: (L-R): Mr Tarun Das; Chairman, CII India-US Council; Mr Francisco Sanchez, US Under Secretary; Mr Som Mittal, President, NASSCOM at a CII session in New Delhi

4: Mr Uday Varma, Secretary, MSME Ministry, addressing the conference

5: Building MSME partnerships: CII mid-sized businesses delegation with Mr Greg Ballard, Mayor of Indianapolis

The conference highlighted the need for new avenues for cooperation between US and India in sectors like clean energy, retail, science and technology, e-learning and tracking climate change.

CII organised a closed door meeting with Mr Francisco Sanchez, Under Secretary of Commerce for International Trade, International Trade Administration, US Department of Commerce with select Indian industry members in New Delhi. The discussion revolved around SMEs collaboration, Energy, Agriculture, and Manufacturing.

During the last decade, there is a paradigm shift in the US-India relationship and logical consequence of the same has been reflected in the growing trade between the two countries which has reached the level of $43.4 billion in 2008. Out of which export and import were $25.7 billion and $17.7 billion, respectively. There is a growing need to build strong linkages with the SMEs of the US. ■

Connecting Globally

The India SME Summit underscored the opportunity for Indian MSMEs to establish strong international links and partnerships

Going global is an imperative for the Indian MSMEs in their collective efforts to board a higher growth trajectory. The pre-conditions to achieve this greater goal came to the fore at the recently concluded India SME Summit organised by Confederation of Indian Industry (CII) in New Delhi.

Delivering his special address at the Summit, Mr Dinsha Patel, Minister of State, Ministry of MSME, Government of India, said that with the emergence of a new world economic order, cross-border business activities have become a pre-condition for sustained growth. Indian MSMEs are largely finding it increasingly difficult to remain competitive within the confines of their own geographical boundaries. "To acquire the competitive edge they will have to tap opportunities in the international arena in the field of technology, research and development and engage themselves in the international trade," he said.

The minister said that joint ventures, franchising and subcontracting have thus become the order of the day. "This calls for increased economic and technical cooperation as well as a higher degree of linkages between MSMEs and large enterprises," he said.

The minister pointed out that the MSME Ministry has taken several initiatives for the growth and development of the sector including two major credit-related schemes, namely, Credit Linked Capital Subsidy Scheme and Credit Guarantee Scheme.

He released the CII -PwC Paper on Creating Competitive SMEs and later said that "more than 420,000 proposals have been approved under the Credit Guarantee Scheme. The Credit Linked Capital Subsidy Scheme has also shown a sharp increase in its coverage, thereby assisting this sector to modernize and become competitive."

(L-R): Mr Venkatesh Rajgopal, Co-Chairman, CII National MSME Council; Mr Suresh Kumar, Director General and Assistant Secretary, US Foreign Commercial Service and US Department of Commerce; Mr Dinsha Patel, Minister of State, Ministry of MSME, Govt of India; Mr Uday Kumar Varma, Secretary, Ministry of MSME, Government of India; Mr Ramesh Datla, Chairman, CII National MSME Council.

Mr Uday Kumar Varma, Secretary, Ministry of MSME, Government of India, said in his address that MSMEs contribute about 8% of the GDP of the country, about 45% of manufactured output and about 40% of exports. This coupled with a high labour to capital ratio, high growth and high dispersion makes them crucial for achieving the objective of inclusive growth. For this, the MSME Ministry has introduced a comprehensive package comprising the scheme for providing support for marketing, technological upgradation and credit facilitation.

He added that innovative approaches should be ensured and its integration in the business strategy should be encouraged and supported. One such initiative will be the scheme on Cloud Computing which will help the MSMEs in lowering their IT cost and thereby become more competitive.

Mr Suresh Kumar, Director General and Assistant Secretary, US Foreign Commercial Service and US Department of Commerce, said in his address that choosing India for his first state visit, President Barack Hussein Obama has proved that India is one of the key trading partners for the US in its effort to bring the national economy to normalcy.

For the US, trade is the key parameter to save the economy from the meltdown. The President is mulling how to engage SMEs of the both countries in this effort. "The SME sector in India can achieve great heights by ushering in

Mr Suresh Kumar, Director General and Assistant Secretary, US Foreign Commercial Service and US Department of Commerce

President Barack Obama is mulling how to engage SMEs of the both countries. The SME sector in India can achieve great heights by ushering in innovation, competitiveness and sustainability by welcoming global competition.

Mr Uday Varma, Secretary, MSME Ministry, Government of India

MSMEs contribute about 8% of the GDP of the country, about 45% of manufactured output and about 40% of exports. This coupled with a high labour to capital ratio, high growth and high dispersion makes them crucial for achieving the objective of inclusive growth.

(L-R): Mr Dale Tasharski, Commercial Counselor, Embassy of the United States; Mr Gurpal Singh, Deputy Director General, CII; Mr Madhav Lal, Additional Secretary & Development Commissioner (MSME), Ministry of MSME,Government of India; Mr Ramesh Datla, Chairman, CII National MSME Council & Managing Director, Elico Ltd; Mr Franz Probst, President, Swiss-Indian Chamber of Commerce & Partner, Probst Attorneys at Law; Mr Subrata Barman, Operations Officer, International Finance Corporation (IFC)

innovation, competitiveness and sustainability by welcoming global competition," he said.

Mr Ramesh Datla, Chairman, CII National MSME Council & Managing Director, Elico Ltd, in his opening remarks said the recommendations of the MSME Task Force have been made with a view to not only help the MSMEs in meeting the challenges of global economic slowdown but also to facilitate their growth and development.

Mr Datla highlighted the need for providing procurement incentives which will help the MSME sector become more competitive. Enhanced depreciation on IT products, establishment of SME exchange, simplification of labour laws and creation of a uniform credit rating format and processes will facilitate credit availability for the MSMEs, he said.

Mr Venkatesh Rajgopal, Co-Chairman, CII National MSME Council & CMD, Celebrity Fashions Ltd, said CII is promoting an environment that gives ample opportunity for the small business in the country to grow. The potential of the sector has been globally recognised. Now it is the time to take the growth of the sector to the next level. All stakeholders shall join hands in effort of taking the sector to different level of growth trajectory.

'Bridging the Policy Divide'

The general ambit of any policy framework for MSMEs need to include issues like credit, infrastructure, skill development, marketing, lower entry and exit barriers, said Mr Madhav Lal, Additional Secretary & Development Commissioner (MSME), Ministry of MSME, in his address at the Summit.

"Our highly innovative MSMEs produce 6,000 plus products for the international market. Unlike many developed economies MSMEs are well defined in India and their spectrum is quite wide. But when we discuss MSMEs, it is important to focus on specific segments." said Lal.

Mr Franz Probst, President, Swiss-India Chamber of Commerce, who led a delegation of 20, of which 10 were from SMEs, said, "Swiss SMEs are the backbone of the economy. With a 7 million population and a small domestic market size Swiss SMEs have no other option but to compete abroad. We succeed because our government is less intrusive". Citing government policy on SMEs, he said that the Swiss government endeavours to ease administration burden, make flexible labour laws, develop e-governance and improve financing to encourage innovation by SMEs.

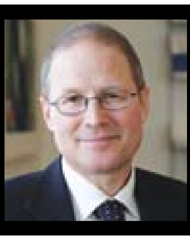
Sharing his experience, Mr Roy Housh of Frewitt, head of a Swiss SME engaged in manufacturing of powder size reduction and handling equipment, said that Swiss SMEs are driven only by market needs and customer requirements. "Innovation is a team work of field sales, management and R&D. Swiss SMEs avoid shortfall by working with select industry customers. We try to use ultra-high value added multi-process within one platform," Housh said.

Sharing the US experience with SMEs, Mr Dale N Tasharski, Commercial Counselor, Embassy of the United States, said that about 99.7% of the companies in the US are SMEs with a strength of 500 employees or less. He said that 53% of the US SMEs are based out of homes but they jointly produce 13-14% more that the larger companies put together.

Mr Tasharski added that the sector accounts for 95% jobs in the US and the government is making concerted efforts to increase export by the US SMEs. "National

Mr Madhav Lal, Additional Secretary & Development Commissioner (MSME), MSME Ministry, Government of India

Our highly innovative MSMEs produce 6,000 plus products for the international market. Unlike many developed economies MSMEs are well defined in India and their spectrum is quite wide. But when we discuss MSMEs, it is important to focus on specific segments.



Mr Franz Probst, Chairman, Swiss-Indian Chamber of Commerce

In Switzerland SMEs play a major role in economic development and job creation. However, India is unable exploit the full potential of entrepreneurial mind. Greater research and development along with skill development could change the face of small business in the country. Easing administrative burden, encouraging innovation, improving business financing, guaranteeing access to markets and strengthening skill development are the areas that should be given enough thrust for the growth of the sector.

Export Initiative has been launched to create more jobs in America. Its objective is to create jobs by increasing exports by increasing number of exporter SMEs and increase number of markets for exporters. We are trying to meet challenges like regulations, large order size, high transportation cost and high tariff and non-tariff cost. To facilitate SMEs in meeting the export challenges, the US Commercial Department has opened offices in the country and abroad. It provides soft lending, brings companies together, do background checking of the companies in other countries, conducts trade mission, take global entities to the US and reaches out to tier-1 and tier-2 markets."

Elaborating on challenges being faced by SMEs, Mr Subrata Barman, Operations Officer, International Finance Corporation, said that while financing SMEs banks point out not only some true risks but also some perceived risks. "In China we worked with the government and made it possible for SMEs to register their movable assets to access finance. This initiative benefitted about 100,000 SMEs in China."

Mr Burman added that providing finance to SMEs alone is not enough and it needs to be backed up with mentoring to build credit history. He said that integration of SMEs in the supply chain of large enterprises is important. "If we try to bring in some incentive to large enterprises then we are definitely looking at a large family," Burman said.

IT Connect

"Micro Small and Medium Enterprises (MSMEs) in India face strategic challenges like competition from large corporate, competition from importers, lower economies of scale, difficulty in attracting talent and difficulty in management, but these can be effectively handled if MSMEs adopt Information Technology (IT)," said Mr Jaijit Bhattacharya, Director Government Affairs, Hewlett Packard India.

Mr Bhattacharya suggested that a nationwide blue collared website like 'naukri.com' can be the answer to the human resource problem faced by MSMEs. "An Indian Alibaba.com, easy to use and affordable ERP and central electronic registry can go a long way in resolving issues faced by the SMEs in the country," Bhattacharya said.

Stressing further on the benefits of cloud computing Mr Debashish Basu Chowdhury, Associate Director, PricewaterhouseCoopers, said that the Internet can be used as an effective medium to share knowhow and skills. "Even video conferencing can reduce distances. IT enabled initiatives like Unique Identity (UID) Project may lower cost of appraisal for financing institutions," he said. "The level of IT penetration across MSMEs directly corresponds to their business maturity. But the challenge is to move directly to stage 4, when owing to their size even adoption is a big issue for SMEs," Mr Chowdhury added.

Mr Harsh Kohli, Associate Vice President and Head-Manufacturing Vertical, Zensar Technologies, said that clusters are more likely to benefit in terms of affordability and scalability of IT products. He cited the example of auto cluster where IT could be leveraged to manage purchase and sales order, inventory, production, capacity planning and quality control.

Financing MSMEs

"The government has introduced a host of financial schemes for MSMEs but several issues like an allegedly 'faulty' credit assessment mechanism (deserving not getting credits), variable credit ranking models adopted by banks still confront enterprises," said Mr HP Kumar, Chairman and Managing Director, The National Small Industries Corporation Ltd.

He also questioned as to why uniform formats for documents and an easy to understand language cannot be adopted by banks offering finance to MSMEs. "SEBI lays down the conditions for lending in India but those conditions are difficult to comply with. Therefore, a balance needs to be attained," Kumar said.

Speaking on the finance opportunity offered by London Stock Exchange (LSE), Mr Ibukun Adebayo, Head-Business Development, South Asia, Middle East and Africa, London Stock Exchange, said that since the launch of AIM, 65.86 billion pounds have been raised at LSE by MSMEs. He said that till date 25 Indian companies are listed on LSE, benefitting from about 2.68 billion pounds raised at the exchange with a total cap of 4.11 billion pounds.

Mr Ash Verma, Chairman, Gateway Business Consultants Ltd, said that confidence among SME community is high, but SMEs must have vision and mission that will make the availability of financial support much easier for them. "Packaging vision, support from government, industry organizations, branding and education & training would help SMEs to get finance from traditional sources," he said.

Sharing the enterprising spirit of the growth-oriented young entrepreneurs, whom she called "the missing middle", Ms Lakshmi Venkataraman Venkatesan, Founding Trustee and Executive Vice President, Bhartiya Yuva Shakti, said the financial inclusion of this lot can go a long way in helping the country grow. She cited examples of entrepreneurs, who approached her organisation with an idea and with a little financial help built successful enterprises in a short span of time, providing employment to many others.

The Summit had huge participation from over 25 countries. The other highlights of the summit were the SME Mart & Buyer-Seller meet. ■

Mr Ibukun Adebayo, Head of International Business Development, London Stock Exchange

There is a culture of small business in India. Everyone in the country is an entrepreneur. The importance and contribution of the SME sector to the economic growth and prosperity is well recognized with the setting up of a SME exchange which give ample access to capital and opportunity to raise additional funds at an efficient market price. London Stock Exchange and the market regular in India (SEBI) has agreed in principle to have a Letter of Intent between National Stock Exchange and London Stock Exchange in collaborating for the development of a SME exchange in India

Balancing The Act

Spurred by the realisation of the role of apprenticeship in developing manpower base and subsequently achieving sustainable economic growth, Government is keen to put things right in order by amending the Apprentices Act, 1961

The Apprentices Act, 1961 was enacted with the objective to regulate and control the programme of training of apprentices and for matters connected with it. The Act makes it obligatory on the part of employers both in public and private sector establishments having requisite training infrastructure as laid down in the Act to engage apprentices in 254 groups of industries covered under the Act.

In 1973, the Act was amended to bring the training of graduates and diploma holders in engineering and technology within its purview. In 1986, the Act was further amended to bring higher secondary (10+2) vocational certificate holders under the purview of the scheme. In addition, the implementation of technician (vocational) apprenticeship training scheme was also entrusted to regional boards of apprenticeship.

To implement the provisions of the Apprentices Act, 1961, the Central Apprenticeship Council (CAC) was established as an apex statutory tripartite body to advise Government on policies and prescribing norms and standards in respect of apprenticeship training scheme (ATS).

Union Labour and Employment minister is the chairman and Minister of State for Education in the Union Ministry of HRD is the vice-chairman of CAC. Besides, Directorate General of Employment & Training (DGE&T), Ministry of Labour, is responsible for the implementation of the Act in respect of trade apprentices in the Central government undertakings and departments.

While, state apprenticeship advisers are responsible for implementation of the Act in respect of trade apprentices in state government undertakings, departments and private establishments, the Department of Higher Education, Ministry of Human Resource Development (MHRD), Government of India, is responsible for implementation of the Act in respect of graduate, technician & technician (vocational) apprentices. This is done through four boards of apprenticeship training located at Kanpur, Kolkata, Mumbai and Chennai.

According to the Act, every employer shall have certain obligations in relation to an apprentice that include providing the apprentice with training in his/her trade in accordance with the provisions of this Act, and the rules made there under. Besides, the employer should ensure that a person who possesses the prescribed qualifications in the trade is placed in charge of the training of the apprentice and to provide adequate instructional staff, possessing prescribed qualifications, for imparting practical and theoretical training and facilities for trade test of apprentices.

The employer shall pay to every apprentice during the period of apprenticeship training such stipend at a rate not less than the prescribed minimum rate, or the rate which was being paid by the employer on January 1, 1970 to the category of apprentices under which such apprentice falls, whichever is higher, as may be specified in the contract of apprenticeship and the stipend so specified shall be paid at such intervals and subject to such conditions as may be prescribed. However, an apprentice shall not be paid by his/ her employer on the basis of piece work nor shall he/ she be required to take part in any output bonus or other incentive scheme.

Present Scenario

The Apprentices Act, 1961 will be amended to revise ATS which has been found wanting because of rigid norms, little private sector interest and low stipends for technician (vocational) apprentice and engineering graduate apprentice. Now, stipend rates will be nearly doubled, with the Centre bearing half the cost to try and lower the burden on corporates. This is expected to cost the government Rs 270 crore. Companies, for their part, will be required to absorb at least 50% of all apprentices as employees.

As part of the proposed changes to the scheme, all degree holders, not just technical graduates and diploma holders, will be enrolled. About 500 new trades and vocations will be brought under the scheme, including skills for services sectors like information technology and IT-enabled services. More than 13 million persons join the Indian workforce every year, but training capacity exists only for 3.1 million.

A task force on remodeling the apprenticeship regime, appointed at the behest of the Prime Minister's National Council on Skill Development in 2009, had suggested two key measures to make corporate India more enthusiastic about ATS. It wanted the penal provisions such as imprisonment be restricted only to 'proven' willful defaulters in serious violations. Furthermore, it suggested that for firms with operations in more than four states that currently have to seek state-by-state approval for hiring apprentices, the central government should be the implementing authority.

These changes have been reportedly incorporated in the Cabinet note that has been consented to by most ministries. However, jurisdictional confusion remains an issue. Some states like Haryana, Punjab, Karnataka have restricted firms from hiring apprentices from other states, while others require No Objection Certificates to hire outsiders. So seats remain unutilised. Also, craftsmen and trades are managed by the Labour Ministry while the HRD Ministry oversees technical and graduate apprentices, with both ministries having separate central and state-level structures for granting clearances to employers hiring apprentices. ■

Automation in MSME Sector: Striking The Right Balance

Identifying and implementing customised IT & Automation services to suit one's business is the way forward to make optimum utilisation of available resources and get accuracy, speed and precision in business.

MSMEs are on an evolving progression path with strong initiatives being taken by the Ministry of MSMEs and various Government agencies like NSIC and CII. The two main glitches faced by the MSMEs are lack of easy and cheap availability of finance and world class automation prototypes. Various options are unfolding for financing, but improvements in the technology seem to move at a slower pace than desired.

Issues like **cost of acquisition, access to IT expertise, reliability, complexity, technology limits and above all replacing human hand with a machine** are pivotal to automation drive and hence the debate on right mix of Automation vs Manual to maximise output continues to rage.

Need for Automation in MSMEs: With the world witnessing and successfully utilising the wonders of automation & robotics technology, no small business venture can afford to stay away from the modern day technology if it aims to be a successful multinational tomorrow. This is imperative for bringing economies of scale, competing with international standards, excelling productivity benchmarks and driving efficiencies across all the seamlessly integrated functions of an enterprise.

Few Programs to develop latest Automation Technology trends for MSMEs:

- **Scheme on Cloud Computing** is being introduced by the ministry of MSMEs to help lower IT infrastructure costs - a giant web-based company by Google, Amazon etc., that will offer sharing of web infrastructure to deal with Internet data storage and competition for catering towards affordable IT solutions.
- **Scheme on Cluster Development** is the key to the growth and expansion of the MSME sector. The industry associations have a significant role in the success of the Cluster Development and most of the schemes of the Ministry.
- **The MSE-CDP** aims at supporting the sustainability and growth of MSEs by addressing common issues, building capacity for common supportive action, creating/upgrading infrastructural facilities in the new/existing industrial areas/clusters and setting up Common Facility Centres. The capacity building of associations, setting up of

special purpose vehicles (SPVs), consortia, etc., are integral parts of the scheme which would enable the MSEs to leverage resources, have better access to public resources, linkages to credit and enhance marketing competitiveness.

- **Various government bodies** like SSI, NSIC, and MSME are assisting in upgrading of technological skills and financial institutions like SIDBI, RRBs, SIFC are helping in improvements of this sector.
- **ERP, CRM,** IT infrastructure facilities provided by IT giants like HP, Microsoft, IBM through PPP (Public Private Partnership) come as a boon to MSMEs.

Automation: Catalyst of Change -- The New Age Entrepreneur

The new age entrepreneurs bring about a major technological revolution in MSME sectors simply because most of them are more tech-savvy than their predecessors. They are open to innovative ideas and not averse to taking calculated risks for betterment of their franchise.

Last but not the least they hire like-minded workers in their franchise to percolate the process of automation to the lowest member in the value chain. This new breed of technocrats help in the improvement of their unit's efficiency and productivity vectors as well as contribute to the bigger cause of automation in the sector.

Advantages of Automation	Disadvantages of Automation
Promote Web-based database: Pioneer, create and promote web-based database of all relevant information, data, etc.	**Technology limits:** Current technology is unable to automate all the desired tasks. More players need to invest and bring latest state-of-the-art services.
Replacement of human operators: **(i)** Tasks that involve monotonous or hard physical work. **(ii)** Perform tasks that are beyond human capabilities of size, weight, speed, endurance, etc **(iii)** Replace tasks in dangerous environment	**High initial cost:** The automation of a new product or plant requires huge initial investment in comparison with the unit cost of the product.
Easier online access for information seekers: MSMEs can network relevant data from Central & State Governments, Government agen‹cies engaged directly or indirectly in the promotion, development, etc., national and state-level industry associations, NGOs, etc	**Pollution problems:** High level of automation may cause pollution problems and hence affect the ecological balance.
Establish **possible linkages with existing databases and the End-Entrepreneurs** for development and promotion of the sector.	**Unpredictable development costs:** The R& D cost of automating a process may exceed the cost saved by automation itself.
AutomationTools/Software: Standardise by introducing auto‹mation tools and related softwares for streamlining data storage activ‹ity with the objective of bringing out transparency of rel‹evant real-time data through online access by the public.	**Employment issues:** As the machines will perform the jobs, there is an underlying risk of retrenchment of human capital
Maintain website: Create and maintain a website for hosting all relevant dataw	**Access to IT expertise, training and reliability issues**

Impact of Automation on the Global Value Chain

Innovation is one of the keys to success in a knowledge economy and it is R&D that determines innovation. ICT (Information, Communication and Technology) diffusion, a value-up chain for MSMEs in India, derives economic force from the complementary development of a knowledge-intensive society.

The diffusion of ICT throughout all sectors (primary sector, secondary sector and tertiary sector) is far more important than the production of ICT industries to usher in economic growth and development based on 'digital technologies'. Indian ICT Industry has tremendous potential to become an engine of growth and productivity improvement for all sectors of the economy and for the country as a whole, with special emphasis on multi-lingual technologies.

Supply chain management (SCM) is important for MSMEs, as the supplier, the customer, the logistics partner and the manufacturer, together involve in the material, information flow and fund flow. While the material flows from the back end (supplier) to the front end (customer), the money flows in the reverse direction and information flows in both directions. Collaborative Planning and Information Sharing practices streamline the information flow in the supply chain.

A good SCM will provide superior value to the ultimate customer. **MSMEs can greatly exploit the web technology to streamline the information flow** to benefit all the supply chain partners in the long run.

Identifying and implementing customised IT & Automation services to suit one's business is the way forward to **make optimum utilisation of available resources and get accuracy, speed and precision in business**.

With several IT & Automation service providers offering customized solutions, this is the right time to invest in Automation Technology for all MSMEs. Religare is working tirelessly in this same segment and offer wide range of financial products and technological know-how sharing to evolve this sector. ■

Credits: Management Team of Religare Finvest Limited – Lending and Distribution Arm of Religare Enterprises Limited

FDI in LLPs: Key Pointers

Department of Industrial Policy and Promotion (DIPP) has invited views and suggestions on FDI in Limited Liability Partnerships (LLPs). The discussion paper states that the LLP model is attractive to professional sectors for its lower compliance costs, greater flexibility in operations, better control over management and limited liability.

Allowing FDI in entrepreneurial projects carried out through the LLP model would encourage small entrepreneurs in India to explore business ventures with foreign investment/collaboration.

In the context of prescribing a regime for FDI in LLPs, five issues have been identified for analysis, which are:

- **Ownership:** The FDI Policy lays down procedures for determining the level of foreign ownership and control in a corporate entity. This may not be applicable to an LLP, as the LLP Act provides flexibility for partners to decide the manner in which they wish to contribute capital, extract profits, participate in voting and limit their liability.

- **Valuation:** The LLP Act says every contribution to capital shall have a monetary value, determined by a CA. However, no valuation guidelines have been prescribed as yet.

- **Control:** For companies, FDI policy defines control as the ability to appoint the majority of the Board of Directors. As an LLP does not have a Board of Directors, alternative formulations have to be sought.

- **Treatment of downstream investments:** As per the FDI Policy for companies, all downstream investments by an investing or investing-cum-operating company, which is owned or controlled by non-resident entities, are to be considered as indirect foreign investment. The issue is whether LLPs should be similarly treated.

- **Treatment of non-cash consideration:** Under Clause 32 of the LLP Act, "a contribution of a partner may consist of tangible, movable or immovable or intangible property or benefit to the LLP, including money, promissory notes, other agreements to contribute cash or property and contracts for services or to be performed". This effectively means that a partner may contribute in a LLP "other than for cash". However, as per the existing FDI policy, issue of shares for consideration other than cash requires prior FIPB approval.

Key issues under consideration are:

- Should FDI be permitted in LLPs at all? Can it be argued that given its limited attractiveness for large investments, allowing FDI in LLPs will not significantly accelerate FDI into the country while disproportionately increasing the regulatory burden?
- What should be the definition of 'person resident in India'?
- Should FDI in LLPs be initially restricted to sectors without caps, conditionalities or entry route restrictions? Should FDI be allowed up to 100% in these sectors or should there necessarily be an Indian partner?
- Should LLPs be mandated not to make downstream investments and should foreign owned or controlled Indian companies be barred from investing downstream in LLPs?
- Following the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations 2000, should it be mandated that foreign participation in the capital structure of LLPs should be on a percentage basis, received only by way of cash consideration by inward remittances through normal banking channels, or by debit to the NRE/FCNR account of the person concerned maintained by an authorized dealer? Should it also be mandated that foreign investments in LLPs engaged in\ agricultural/plantation activity or real estate are prohibited?
- Should FDI policy treat LLPs akin to companies? In such a case, how should the issues relating to ownership, valuation, control, downstream investment and non-cash contributions, raised in Section 5 above, be addressed?
- Will treating LLPs akin to companies under FDI policy demand the stipulation of certain features of the LLP agreement? Should this include unambiguous specification of profit /loss sharing percentage; clear specification of the power to appoint Designated Partners; congruence of legal and economic ownership; timely notification of changes including conversion from and to companies/ partnerships?
- What additional regulatory safeguards are required to enfold LLPs into FDI policy? Are amendments to any existing regulations required? Should the responsibility for periodic monitoring of compliance with FDI stipulations be allotted to a particular agency? ■

Marketing Assistance and Technology Upgradation

Marketing, a strategic tool for business development, is critical for the growth and survival of MSMEs. However, the majority of MSMEs face key constraints on this count owing to lack of information, scarcity of resources and unorganised way of selling / marketing. The Marketing Assistance and Technology Upgradation Scheme for MSMEs, introduced by the MSME Ministry, envisages identifying MSME clusters which have quality production and export potential and provide assistance to them in achieving competitiveness in the national and international markets. The programme aims at improving the marketing competitiveness of MSME sector by improving their techniques and technologies' promotion of exports and to provide a check on imports in those segments.

The broad activities planned under the scheme include technology upgradation in packaging, skills upgradation/development for modern marketing techniques, competition studies of threatened products, special components for North Eastern Region (NER), identification of new markets through state/district level, local exhibitions/ trade fairs, corporate governance practices, marketing hubs and reimbursement to ISO 18000/22000/27000 certification. ■

For details, refer to: http://www.dcmsme.gov.in/schemes/MarketingAss&Techup.htm

Clean Energy: Perfecting The Future

Finland, one of the largest producers of renewable energy, has offered its expertise to India in the clean energy space

Finland, one of the largest producers of renewable energy, has offered its expertise to India in the clean energy space and become New Delhi's partner in attracting technology and $55-billion investment in this area over five years.

Highlighting the need and importance of promoting cleaner technologies at the interactive session and one on one interaction for EU-Indo collaborations opportunities organised at CII-Sohrabji Godrej Green Business Centre, Dr Paavo Vayrynen, Minister for Foreign Trade & Development, Finland, said cleaner technologies give economic benefits and also mean more profitable business, better standard of living and a safer future for all.

"Finland can offer a broad range of expertise to support India's growth and development, especially in the production and use of clean energy,' said Dr Vayrynen, adding: "We are among the leading countries in energy efficiency and use of renewable energy and generate about a quarter of the total energy consumption through renewable sources like wind, solar. We want to take the share of such energy to 38 percent by 2020."

Toward this, 11 top companies from Finland held one-on-one interaction with Indian companies to explore opportunities to work together in areas of promoting ecologically sustainable business growth models.

Dr Paavo underlined that development cannot be lasting or sound if it is not based on the principles of ecologically, socially and economically sustainable development. He said that environmentally friendly technologies are already experiencing high growth worldwide. A major part of Finnish cleantech companies have joined forces within a common Clean Tech Finland brand. This brand covers technologies, services, processes that promote ecologically sustainable development.

He observed that Finnish know-how on environmental and clean technology, energy efficiency solutions and innovative high-tech sector can most certainly be an integral part of the Indian development.

(L-R): Mr S Raghupathy, Senior Director & Head, CII-Godrej GBC, Mr Ramesh Datla, Chairman, CII National MSME Council, Dr Paavo Vayrynen, Minister, Foreign Trade and Development, Finland, Mr Shakti Sagar, Chairman, CII-AP, Ms Terhi Hakala, the Ambassador of Finland and Mr Y. Harish Chandra Prasad, Immediate Past Chairman, CII-AP at CII-Sohrabji Godrej Green Business Centre, Hyderabad on 28 October 2010. 20 Member Finish Business Delegation visited CII-GBC had one to one meeting with Industry members including SMEs.

"We know that India is facing some big challenges in its future development,' said the Finnish minister who also met India's New and Renewable Energy Minister Dr Farooq Abdullah and briefed him on the competence and experience of Finnish companies in this area.

Ms Terhi Hakala, Ambassador of Finland, was also present at the interactive session.

Mr Shakti Sagar, Chairman, CII-Andhra Pradesh in his address underlined the need and importance to develop synergy with the highly organized high-end technology sectors of Finland and the highly skilled and educated work force of India and added that India is looking forward for a thriving relationship with Finland.

Senior officials from the Finish companies claimed that India's total loss of power of over 35% can be cut be cut down by 20% if normal power transmission lines are replaced by insulated power cables. "This would make thefts by hooks difficult if not impossible," they claimed.

According to the experts, India can work on having more power supply grids. "If you have a grid within the company where the supply is needed or if it can take care of the needs of a village through solar or wind energy directly, then the power losses can be cut by at least 20 per cent. The distance between the grids needs to be minimised to achieve maximum utilisation of power generation," they said.

Increasing demand has boosted technology development and strengthened the position of Finnish technology in the global market.

Since energy is the lifeline for progress, it is imperative for a booming economy like India to shift to renewable sources of energy.

"Finnish wind power solution providers with most advanced technologies are significant players in worldwide and Finnish proficiency can be found in nearly half of the over 1 MW sized wind power plants globally," Santtu Hulkkonen, executive director of Cleantech Finland, said.

Indian MSMEs in the green energy business will see significant opportunities emerging from this bilateral cooperation. ■

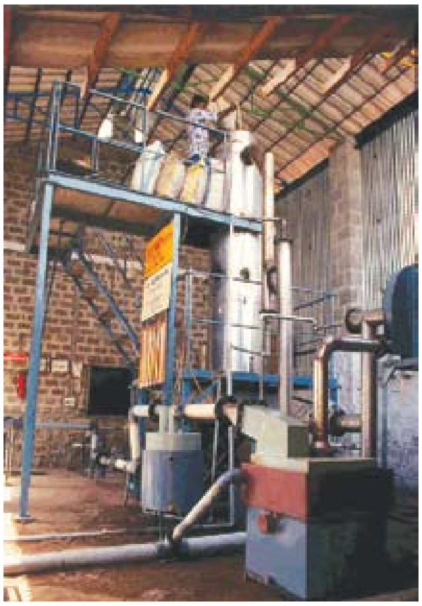
Powerful Vision

DESI Power makes inroads into rural India for clean sustainable future

DESI Power was established in 1996 to develop, package, promote, build and operate Independent Rural Power Producers (IRPPs). Initially, it was essential to establish the reliability and local management of renewable energy technologies for power plant applications and DESI Power has built nine pilot and demonstration plants to establish the concept in its totality.

"The poor progress of rural India is because of inadequate and unreliable electricity supply and modern energy services," said Dr HN Sharan, Chairman, DESI Power. "Since the land and agriculture based rural economy in India is not able to provide a regular and assured income to the villagers, the endemic rural poverty is a consequence of lack of employment and earnings. This situation can be improved by creating new jobs in small scale industries for traditional agro-processing and in micro-enterprises for local value addition but they are seldom present in rural areas largely because of lack of electricity and other infrastructure. Modern energy services for cooking, lighting and water supply can further improve the living conditions of the villagers, especially of women, but they are also largely absent," he opined.

Now, the use of renewable energy systems has become a must also from the point of view of minimising the risks of climate change. Reducing the fossil component of the national energy mix to help in meeting the global target of limiting the global temperature rise to less than 1- 3 degrees is a national priority. DESI power is, therefore, moving on from only biomass to hybrid renewable energy power systems in villages. Besides, it is now committed to build Employment and Power Partnership (EmPP) projects in 100 villages (only four of which are working now) to establish and demonstrate their role in promoting the socio-economic development of villages in economically, socially and environmentally sustainable manner. The concept of electricity driven development of villages using local resources to the maximum possible extent to create local jobs is at the core of the EmPP programme.



The organisation hopes to take advantage of the more recent policy initiatives of the government on renewable energy plants. "Major policy instruments are, however, needed to create a frame work not only for financing commercial IRPPs in villages but also for funding village enterprises and energy services in an integrated manner," remarked Dr Sharan. "Funding of capacity building and training activities linked directly to EmPP are urgently needed."

DESI Power's solution is embedded in its concept of building power plants and local enterprises and energy services simultaneously. "Unfortunately, generating support and finances for promoting and building village enterprises are proving much more difficult than anticipated," revealed Dr Sharan. "Availability of suitable biomass on a sustainable basis at an affordable price and the management of the biomass chain to ensure regular and profitable power plant operation needs to be systematically and rigorously implemented," he believed.

Besides, there is an acute shortage of competent technical and managerial staff, special for village locations. Local training and capacity building of all levels of power plant staff as well as enterprise owners and staff is, therefore, essential. The power plant by itself cannot afford to pay for the training and capacity building infrastructure. "Establishing energy services in a profitable manner and financing them in the context of the problem of the capacity to pay is a tough issue," he said. So, DESI Power has started DESI MANTRA as an in-house management training centre with a focus on training village women for all levels of staff responsibility.

Even when all the other issues are being tackled, it is being reported that that there is still great reluctance on the part of normal investors to put their money in village projects. "EmPP cannot afford to have a high loan component if they are to become profitable. Equity investments are essential but they must be patient, be prepared to stay a minimum of eight years and be prepared to accept a socially responsible dividend on their equity. Such investors are hard to find," he said.

However, Dr Sharan is more than ever convinced that India needs a new energy policy in which the centralised power sector with its very largely fossil fuel based generation plants and distribution system works in tandem with a newly created decentralised power sector based on small stand-alone generating and distributing system to providing reliable power. "We can remove poverty by ensuring adequate, reliable and affordable power to the rural agricultural and small business sectors which can create local jobs and ensure a minimum of energy services," he said.

DESI Power's vision is to see many more such projects come up in India, each one of which being committed to promote and build EmPP type of programmes. "The time and the circumstances are just right now. Small empower partnership plants can thus not only become profitable for both partners but can also accelerate the removal of poverty while mitigating the risks of climate change." Dr Sharan concluded. A real win-win partnership with local, national and global benefits. ■

MSME Focused Projects, Events, Meetings, Interactions & Training Programmes (Dec 2010 - Jan 2011)

CII Northern Region

Title/Theme	Date	Venue
23rd CII Regional Workskills Competition	14-16 Dec	Chandigarh
Smart Energy Campaign	15 -20 Dec	Chandigarh
CII–BEE Workshop on Enhancing Competitiveness through Energy Efficiency; Focus: Hand Tool Sector	18 Jan	Jalandhar
CII Industrial Expo 2011: Robust, Inclusive, Green Growth	29-31 Jan	Haridwar
SMEs Manufacturing Mission	Jan	Haridwar

Contact: Ms. Navdeep Kaur; Email: navdeep.kaur@cii.in; Ph: 0172-2602365, 2605868, 2607228

CII Western Region

Title	Date	Venue
Sixth MSME Development Meet	15-16 Dec	Vadodara
Second Meeting of Maharashtra State MSME Panel	21 Dec	Kolhapur
HR for MSMEs	7 Jan	Mumbai
IT for MSMEs	15 January,2011	Nagpur
Fifth Meeting of Western Region MSME Subcommittee	21 Jan	Goa
Finance for MSMEs	28 Jan	Thane

Contact: Mr C M Tungare; Ph: 022 24931790 Extn 416 (Board); 022 24964794 (Direct)

CII Eastern Region

Title/Theme	Date	Venue
Market Linkage for SME	Dec	Beldih Club Jamshedpur
Awareness Programme with Moonlight Cluster on Design Clinic Scheme for MSMEs	Dec	Kolkata
Awareness Programme with Bauipur Surgical Cluster on Design Clinic Scheme for MSMEs	Dec	Kolkata
Awareness Programme with Leather Cluster on Design Clinic Scheme for MSMEs	Dec	Kolkata
Training Programme on Safety for MSMEs	Jan	Haldia/Kharagpur
Awareness Programme with Industrial Cluster on Design Clinic Scheme for MSMEs	Dec- Jan	Bhubaneswar, Raipur, Patna, Ranchi, Jamshedpur, Balasore

Contact: Ms Gargi Mitra; Ph: 9903989417; Email: gargi.mitra@cii.in

CII Southern Region

Title	Date	Venue
Integrate 2010 – Empowering the SMEs (The exclusive Exhibition – cum - Conference for SMEs and SME Enablers)	15-16 Dec	Chennai
Deep Dive Workshops	(to be spread over 8 weeks)- one half day session to be held every week	(tbd)
SME Leadership Programme	Jan (tentative)	(tbd)
5th Meeting of MSME Panel	Dec (tbd)	Chennai

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New Ventures India – CII – Sohrabji Godrej Green Business

Title/Theme	Date	Venue
Road show - Dehradun	Dec	Dehradun
Road Show	Dec	(tbd)
Pfan Investor Forum	Dec	(tbd)
Road Show	Jan	(tbd)

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