

# MSME business



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Chairman,  
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MSME Council

## FROM THE CHAIRMAN'S DESK

**D**ays after concluding the 9th India Global Summit on MSMEs 2012 organised by CII in association with the Ministry of Micro, Small & Medium Enterprises, Government of India, I would like to thank all the participants including those from 39 foreign countries and CII. This summit revolved around the topics ranging from new challenges of global competitiveness to government policy issues, from technology to financial frameworks addressed by the industry leaders, government policy-makers and experts. It was an occasion to review and reinvent the Indian MSMEs in a changing global scenario.

The Indian MSME sector is at an inflection point. On the one side, key policy initiatives such as the Defence Offset Policy and the Public Procurement Policy are expected to create unprecedented business opportunities for the sector in the coming years. The defence offset obligations alone are likely to create \$15-20 billion worth business opportunities for Indian MSMEs over the next decade. On the other side, industry bodies across geographies are looking to deepen the collaborative engagements with Indian MSMEs.

Hence, from the demand perspective Indian MSMEs are seeing huge growth prospects. However, certain issues are to be addressed on the supply side. First, enterprises need to continuously raise the quality of their manufactures while remaining frugal. This implies that a certain amount in house R&D has now become imperative for the Indian MSMEs. In coming days high quality standards alone will determine their global competitiveness and relevancy in different markets. Second, enterprises need to develop intra-sector eco-system in order to meet the scaled-up demand.

The emerging business environment offers a definitive opportunity for Indian MSMEs to scale up their operations and grow bigger. I am pleased to reiterate that the CII National MSME Council is working upon an institutional mechanism that assists 25 micro enterprises from all four regions to grow to the level of small enterprises, help 25 regional small enterprises to develop into medium

enterprises, and support 25 medium enterprises to graduate to the level of large enterprises, summing up to 100 enterprises from each of the three categories to expand.

For enterprises to move up the value chain, they will need seamless access to a large skill base. Both Government and industry have taken cognizance of the urgent need to bridge the skill gap in the MSME sector, from the quantitative and qualitative standpoints. The MSME Ministry has introduced various skills development programmes and schemes for the benefit of industry. Industry has also launched different skills development initiatives. In the coming times, as Indian MSMEs enter new and sophisticated fields of business, skills will become even more critical to the sector's growth and development.

Skills apart, financing of business will remain a big challenge for Indian MSMEs. While bank credit flow to the sector has grown appreciably over the years, concerted efforts are being made to promote SME-dedicated stock exchanges in the country. SME exchanges make it easier for enterprises to get listed on the exchange and launch their IPOs.

This edition of MSME Business has trained attention on all of the above mentioned areas. In addition, we have focused attention on the prospects of enhancing bilateral SME cooperation with Cambodia, a nation that occupies a key position in the ASEAN region. Sectors like agriculture and agro-processing, textiles and manufacturing are likely to see a new wave of collaborations in this regard.

I hope that you will derive great value from the articles presented in this edition. At the same time, I invite you to proactively participate in the development of this journal and in the MSME Council's activities, and especially by taking up ambassadorial role to identify and recommend entrepreneurs and enterprises to expand and refine their business under CII-MSME council scheme to upgrade 100 entities in each of Micro, Small and Medium segment.

Please write to me at:  
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## 'KH MUNIYAPPA NEW MSME MINISTER' ...PG3

**Mr KH Muniyappa**

Union Minister of state, Ministry of MSME, Government of India



## 'VIVEK RAE JOINS AS MSME SECRETARY' ...PG3

**Mr Vivek Rae**

Ministry of MSME, Government of India

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# KH Muniyappa New MSME Minister



**M**r K.H. Muniyappa has assumed charge as Minister of State with Independent charge of the Ministry of Micro, Medium and Small Enterprise (MSME). Mr Vivek Rae, (Secretary MSME), Mr Amarendra Sinha, (AS & DC) and Mr HP Kumar, (CMD), National Small Industries Corporation (NSIC), Shri Arun Kumar Jha, Director General, NIESBUD were present on the occasion. Mr Muniyappa was re-elected to 15th Lok Sabha on his 6th term from Kolar constituency in Karnataka. He was elected to Lok Sabha earlier in 1991, 1996, 1998, 1999 and 2004. Born on 7th March 1948 in Karnataka, Mr Muniyappa has obtained degrees of BA and LLB from Bangalore

University, Karnataka. While interacting with the media the Minister said the MSME sector is estimated to employ about 600 lakh persons through 261 lakh enterprises. It contributes to 45% of the manufacturing of the country and 40% to the total exports of the country. There are over 6000 products which are produced by the sector. 'In the current year, the Ministry will be spending Rs. 2835.00 crores on the Plan Schemes as against an expenditure of Rs. 2018 crores during 2011-12,' he said. Mr Muniyappa was the Union Minister of State for Railways previously. Mr Muniyappa replaced Mr Vayalar Ravi who had additional charge of the Ministry of MSME. ■

## Ministry Calls for Stricter Implementation of Easier Loan Norms of MSEs

**I**n a move that can boost the financing for the Micro, Small and Medium Enterprises (MSMEs), the MSME ministry has called for strict implementation of RBI norms for micro and small units. The MSME ministry has asked the Finance Ministry to ask banks to give collateral free loans of up to Rs 10 lakhs to micro and small enterprises, which is mandatory upon them as per a reserve bank guideline. The RBI had raised the limit of collateral free loan for MSE s from Rs 5 lakh to Rs 10 lakh in 2010.

The ministry has been talking to Department of Financial Services (DFS) to impress upon banks to provide loans without collateral to such units, said Mr Vivek Rae, secretary, Ministry of MSME during the India Global Summit organised by Confederation of Indian Industry (CII). The MSE sector has been complaining that banks insist on collateral for extending loans to them. "We had two meetings with the DFS so that the Department can tell banks to follow the guideline for collateral free loans to small units," he added. ■

## Vivek Rae Joins as Secretary MSME



**M**r Vivek Rae, has taken over as Secretary, Ministry of Micro, Small and Medium Enterprises. He succeeds Mr Radha Krishna Mathur, at present Secretary, Department of Defence Production, Ministry of Defence. Mr Rae is a 1978 batch IAS officer of UT cadre. Before joining the Ministry of MSME, he was Director General (Acquisition), Ministry of Defence. ■

## India Stands Out During Recession Because of SMEs: MSME Minister

**M**r K H Muniyappa, Minister of Ministry of Micro, Medium and Small Enterprise (MSME), has quoted by the media that India has excelled during the global slowdown because of small and medium enterprises (SMEs). "One of the major reasons of India's survival during the global recession was the support of those SMEs, which remains alive during the worst phase of their life. We are not suffering like other western countries because of our SMEs," he said. He said the MSME sector have

a great contribution in country's manufacturing output, employment generation and also in exports. The MSME sector contributes 8 percent of the country's GDP, 45 percent of the manufactured output and 40 percent of exports. Speaking on the issue of FDI fear among SMEs, he said, "With FDI coming in, it does not mean that it will be a problem for indigenous industry (SMEs)." "Our people have to make quality products at par with international ones, to compete globally," he added. ■



## Govt Releases Rs 12.76bn To Back MSME Projects



The Government of India has released Rs. 12.76 billion in the current fiscal year 2012-13 to support 53,826 Micro, Small and Medium Enterprises (MSME) projects, including those belonging to textile and garment industry, which is likely to generate around 431,000 jobs. The sum has been released from the proposed outlay of over Rs. 90 billion for the

Prime Minister's Employment Generation Programme (PMEGP) announced under the XII Five-Year Plan (2012-17), Minister of MSME KH Muniyappa said. The PMEGP scheme is intended at creating employment opportunities by setting up micro enterprises like rural industrial units. Under PMEGP, it is proposed to spend Rs. 97 billion to launch 400,000 projects, with margin cost of Rs. 2.3

million per project, and generation of around 3.2 million jobs in all, the Minister said. Under the scheme, rural and urban entrepreneurs of general category are respectively provided subsidy of 25 percent and 15 percent of the project cost. Rural and urban entrepreneurs belonging to underprivileged sections of the society qualify for a 35 percent and 25 percent subsidy, respectively. ■

## RBI allows SIDBI to raise upto \$500mn via ECB for SME lending

The Reserve Bank has allowed Small Industries Development Bank of India (SIDBI) to raise up to USD 500 million per annum (about Rs 2,700 crore) through External Commercial Borrowing (ECB) to fund small and medium scale industry. "It has been decided to include SIDBI as an eligible borrower for availing of ECB for on-lending to MSME sector," RBI said in a notification. Funds raised by SIDBI in turn would be used for lending to the Micro, Small and Medium Enterprises (MSME) directly either in INR or in foreign currency. The move would help SIDBI to access low cost funds from overseas market where interest rates are relatively low. Thus, the MSME sector would also get access to funds at lower interest rate. The foreign currency risk

would be hedged by SIDBI in full in case of on-lending to MSME sector in INR, it said. "Availment of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds, for on-lending to MSME sector, will be under the automatic route and beyond 50 per cent of owned funds, will be under the approval route, subject to a ceiling of USD 500 million per financial year," it said. The amended ECB policy shall come into force with immediate effect and is subject to review based on the experience gained in this regard, it said. All other conditions of ECB, such as recognized lender, all-in-cost, average maturity, prepayment, refinancing of existing ECB and reporting arrangements would remain unchanged, it said.

## Land for 57 MSME clusters

The West Bengal government has earmarked land for 57 micro small and medium enterprise (MSME) clusters out of the targeted 112 to be set up in the state, Finance Minister Amit Mitra said. "The focus will be on small and medium enterprises as they are labour intensive and income generative. We will do the largest number of clusters in India," Mitra said. "Fifty-seven clusters have been identified. Land is available. Our target is to set up 112 clusters of small and medium enterprises, which are labour intensive, tax generating and IT-based," he said. The minister hoped that Kolkata would become a major centre for trade once the two deep-sea ports to be developed in Rosulpur and Sagar in South 24 Parganas district, come up. ■



# Summit Echoes Culture of Collaboration Among MSMEs

The India Global Summit on MSMEs 2012 saw a participation of delegates from 39 countries around the globe. A CII-KPMG report on 'Growth of MSMEs: Opportunities & Challenges' was also released on the occasion.



The India Global Summit on MSMEs 2012, organised jointly by Confederation of Indian Industry (CII) and the Ministry of Micro, Small & Medium Enterprises, Government of India, in New Delhi on October 30-31, 2012, underlined the needs to promote a culture of knowledge sharing and collaboration and reduce the dependence on subsidies and entitlements. Mr Arun Maira, Member, Planning Commission, Government of India, said in his inaugural speech that the core focus should be on growing the small enterprises into medium enterprises, and paving the way for the medium enterprises to become large enterprises. Effective collaborations among the MSMEs will result in a united voice which the clusters can enable, he said.

Industry associations have a key role in articulating the growth strategy for the MSME sector. Reflecting on this, Mr Vivek Rae, Secretary, Ministry of Micro, Small & Medium Enterprises, Government of India, said the MSME sector needs to chalk out its own growth strategy which will become a key reference point for appropriate policy interventions. Advocating a bottom-up approach, Mr Rae said this articulation should begin at the cluster level and move up to the state and national levels.

He pointed out that the MSME sector has maintained steady growth in times of global economic distress which is evidenced by the increase in per capita employment in the sector over the last one decade, significant decline in industrial sickness and increase in the filing of MoUs.

Mr Rae observed that as 95 percent of the MSMEs are micro enterprises, it is important for the Government and national industry associations to have greater clarity on who the target groups are for the various initiatives and programmes. "A focused, segmented approach is needed," he said in this regard.

Stating that the Government has taken several key policy steps in recent times to augment the MSME growth prospects, he made a special mention of the public procurement policy and the defence offset policy as being major growth drivers for the sector. He added that enterprises that leverage the business opportunities that stem from the defence offset obligations, by way of procurements and investments, will become the icons of India Inc.



(L-R) Mr John Herhalt, Partner, KPMG Canada, Mr Ramesh Datla, Chairman, CII Committee on IPR and Immediate Past Chairman, CII National MSME Council and Managing Director, ELICO Ltd, Mr Vivek Rae, Secretary, Ministry of Micro, Small & Medium Enterprises, Mr Arun Maira, Member, Planning Commission, Government of India, Mr Deepak Kapuria, Chairman, CII National MSME Council and Chairman, Hitech Gears Ltd and Mr Gurpal Singh, Principal Adviser, Confederation of Indian Industry (CII), during the release of CII-KPMG report on 'Growth of MSMEs: Opportunities & Challenges' at India Global Summit on MSMEs 2012 in New Delhi.

He stated that the offset obligations are expected to create estimated business opportunities valued at \$15-20 billion for MSMEs over the next decade. He also made a special mention of aerospace and internal security as key areas where these opportunities will grow significantly.

Further, underlining the importance of the ongoing global summit, he said the event offers the participants the opportunity to share knowledge with regard to mandatory procurements, issue of delayed payments and best practices with respect to the definition of MSMEs.

Mr Deep Kapuria, Chairman, CII National MSME Council and Chairman, Hitech Gears Ltd, said in his welcome remarks that CII is creating an institutional mechanism to support groups of 25 small enterprises to graduate to the level of medium enterprises, and help 25 medium enterprises to grow into large enterprises. He drew the attention of the MSME ministry to this initiative and said Government support is key to its success.

Referring to the defence offset policy, he said the industry would also need Government support for effective

deployment of the schemes and for building an eco-system within which the MSMEs can leverage the new growth opportunities.

Mr John Herhalt, Partner, KPMG Canada, said that governments could support MSME growth by enhancing the legal and regulatory frameworks, finance and capital access, and market access for the enterprises.

Mr Ramesh Datla, Chairman, CII Committee on IPR and Immediate Past Chairman, CII National MSME Council and Managing Director, ELICO Ltd, said in his concluding remarks that the MSMEs and large enterprises should look to create greater economic interdependence. This will also help alleviate problems like delayed payments that many MSMEs face.

He said the summit is a crucial step in the direction of building strong collaborations between Indian and global MSMEs. He also referred the MSME Mart and the Procurement Meet at the summit as important initiatives that support the collaborative efforts.

A CII-KPMG report on Growth of MSMEs: Opportunities & Challenges was

also released on the occasion. The summit drew the participation of delegates from 39 countries around the globe. The deliberations at the event are focused on areas such as technology, innovation, IPRs, credit, finance, ICT, defence, food processing and sustainability.

The plenary session on sustainable development for MSMEs observed that micro, small and medium enterprises (MSMEs) worldwide have an important role to play in the economic development, yet sustainability continues to pose a big challenge for them - creating barriers for their growth, said the experts.

"There are hundreds of definitions of sustainability but the best was given by the United Nations that says: use your resources without compromising on the needs of the future generations. However with MSMEs not able to invest in new and clean technologies owing to capital restraints and no policy especially designed for the sector, these enterprises stand to lose," said Mr T.T. Ashok, Immediate Past Chairman, CII, Southern Region & Managing Director of Taylor Rubber Private Ltd.



**Dr Rashid Alleem, Director General, Sharjah Department of Seaports and Customs & Sharjah Free Zones Authorities, Hamriyah Free Zone Authorities**

Sustainability is a fare share between generations. To achieve it development plans need to be human-centric. Besides economic, environmental and social components of sustainability, culture and religion too play an important role in achieving it. Agenda 21 adopted by the nations is the blueprint of sustainable development in the 21st century. Unbudgeted natural disasters, wars, green house gas emissions, water scarcity, global warming and increasing world population were some of the challenges hindering the achievement of sustainability goals.



Mr H P Kumar, CMD, National Small Scale Industries Corporation (NSIC) delivering his speech at Procurement Meet. (L-R) Mr Jaideep Ghosh, Partner, KPMG, Commander Kamajith Jassal, Ministry of Defence, Government of India, Mr V K Garg, Dy Chief Electrical Officer, Indian Railways, Mr Gurpal Singh, Principal Adviser, Confederation of Indian Industry (CII) and Mr P K Jain, Bharat Heavy Electricals Ltd.

Ms Mita Sharma, Scientist 'E' & Incharge, CPCB said that MSMEs were identified under the SME Act of 2006, however, their definition was not clear and presented a challenge owing to multiple industry-wise classification of MSMEs. This, she said, was a big challenge for the policy makers.

To overcome sustainability issues at the organizational level, Mr Kavi Arora, Managing Director & CEO of Religare Finvest Limited, suggested some easy steps. He said that a broader view should be incorporated at the planning stage and what sustainability meant for the organization and the employees must be clearly defined.

"Engage all your stakeholders, collaborate and take one step at a time. It must be noted that strategising is not enough. It is necessary to walk the talk. Assessment of profits is important. So, proper mechanism needs to be put in place to monitor how your sustainability steps are getting translated into profits," Mr Arora said.

Ms Rani Murlidharan, Director, GK Sons Engineering Enterprises Pvt Ltd, said

that clustering of MSMEs was a solution to most of their problems and narrated that success story of the Trichy industrial cluster that has come up near the state-owned BHEL in Tamil Nadu.

Mr Krishan Gupta, Managing Director and Global CEO, Organic India Pvt Ltd, said that quality must be the hallmark of smaller enterprises, as it was a misconception that people wanted cheaper products. On sustainability, he said that the business model should be such that it creates a win-win opportunities for all in the value chain.

Mr Rakesh Kapoor, MD, IFCI Factors Ltd, gave a useful presentation on the emerging financial option of factoring. He said that although factoring was introduced in India in 1980s, the Factoring Regulation Act, 2011, gave it the much needed impetus in the country. He said the option was ideal for the financial needs of the MSMEs and gave them an edge over the traditional bill discounting option.

In the plenary session on enhanced engagement of private sector to meet challenges in food processing experts

maintained that with India's per capita income growing steadily in recent years, the food processing sector in the country is poised to grow at a brisk pace and micro, small and mediums enterprises (MSMEs) are expected to play a bigger role in making this possible.

However, they pointed out that despite India's agriculture-based economy and the country being one of the leaders in agriculture and allied products, constraints such as value addition, resource allocation for technology, marketing and procurement issues continue to haunt the MSMEs, creating obstacles for their growth.

"India's per capita income has reached about \$1,200 per annum and the growth of MSMEs is already visible in the food processing sector. However, there are constraints to their growth like low level of value addition, quality control, lack of time and resources to develop world-class facilities and innovative technologies and the inability of MSMEs to provide collaterals to banks for funding," said Mr S.K. Sharma, Co-chairman, CII Agriculture Committee (North) & Managing Director & CEO of Global Agri Systems Ltd.

Mr Girish Aivalli, Group Executive Vice President and Country Head, Yes Bank Ltd, said that despite registering a growth of 13-14 percent per annum, India's \$70 billion food processing market was not large enough. But every country has its own pattern of consumption and in India food is mostly processed in homes by women. Thus this question must be asked whether India needs what the Government plans.

Mr Angshuman Bhattacharya, Associate Director, KPMG Strategy Services Group, said that the margins of most of the processed food products were not high because they lacked further value addition.

In the plenary session on defence offsets A. Jai Singh, Cmde (Retd), said micro,

## Mr Uday K. Dholakia, Chairman, Leicestershire Asian Business Association, UK



Potential and opportunities would create frustration among businesses unless those are converted into real businesses. UK is keen to promote bilateral ties with India through the Indo-British Trade Council. Issues like poor supply chain and weak procurement mechanism posed an enormous challenge for export-oriented MSMEs. We are working on initiatives like developing a system for sharing data with regulators, establishing in conjunction with the World Bank standards for processed food, organizing food fairs and creating a platform to get investors and MSMEs together.



(L-R) Mr Rakesh Kapoor, MD, IFCI Factors Ltd, Mr Krishan Gupta, Managing Director and Global CEO, Organic India Pvt Ltd, Mr Kavi Arora, Managing Director & CEO of Religare Finvest Limited, Ms Mita Sharma, Scientist 'E' & Incharge, CPCB, Mr TT Ashok, Immediate Past Chairman, CII, Southern Region & Managing Director, Taylor Rubber Private Ltd, Dr Rashid Alleem, Director General, Sharjah Department of Seaports and Customs & Sharjah Free Zones Authorities, Hamriyah Free Zone Authorities, Ms Rani Murlidharan, Director, GK Sons Engineering Enterprises P Ltd and Mr Gurpal Singh, Principal Adviser, Confederation of Indian Industry (CII), during the Plenary Session on Sustainable Development for MSMEs at India Global Summit on MSMEs 2012 in New Delhi.

medium and small enterprises (MSMEs) do not expect the Government to spoon feed them. "MSMEs can be transformed and first movers may become leaders if they can leverage the opportunities offered by the defence offset policy. MSMEs are the engines of economic growth and they can't be spoon fed. The government needs to acknowledge their legitimate concerns, such as their investments would not be in vein," he said.

Agreed Col. (Retd) K.V. Kuber, Advisor, NSIC, MSMEs, who was closely associated with the formulation of the defence offset policy and his organization helps find MSMEs a firm foothold in the defence sector.

"MSMEs need to be strengthened if the country wants to cut imports of defence equipment. The Ministry of Defence guarantees business to MSMEs provided enterprises adhere to the rules of engagement. You need to have a foreign partner, but foreign OEM will come to you only if you become a part of the ecosystem. Transfer of technology is important and R&D has been brought in as a service, which drives a very important point either you need to do it yourself or with the help of the OEM," said Col. Kuber.

Brig. (Retd.) S.K.S. Rana, Member CII National Defence Council, said that OEMs should not feel that Indian industry is not ready for offsets.

"MSMEs can do wonders. There are more than 6,000 products that MSMEs are producing and practically taking care of all the manufacturing needs of OEMs. Whatever they are making is required by everyone, including defence sector. Therefore, the FDI cap of 26 percent for

the defence sector needs to be increased further." Brig. Rana said.

Wg. Cdr. (Retd.) Neelu Khatri, Director, KPMG India, said that if MSMEs align themselves with DPSUs and Foreign OEMs, having them on their bill books gradually builds up their reputation. "Although the cycle is long but eventually it pays off in the long run," she said.

However, valedictory session echoed that the micro, small and medium enterprises (MSME) sector has failed to occupy the centre-stage of the planning process or industry although its contribution to India's GDP growth is widely acknowledged. Often this is attributed to the Government and industry's focus on large enterprises. However, the reasons may be different and need careful consideration. Mr C K Misra, Joint Secretary (SME), Ministry of MSME, Government of India, said the large and small sectors need to share a symbiotic relationship. The large enterprises would indeed contribute to the growth of the MSME sector.

Underscoring the importance of a global orientation for the MSME sector, Mr Mishra said the Indian MSMEs should look to enter into partnerships with companies around the world as well as strive to become a part of the global value chain. A culture of innovation and the effort to acclimatize in a global business environment will greatly help the enterprises to globalise their activities and grow.

Mr Mishra urged the enterprises to collaborate much more among themselves and explore ways to establish forward and backward linkages. He added that the Government should create a suitable

ecosystem for the enterprises to excel.

Referring to some of the recent policy initiatives such as the public procurement policy and defence offsets which will help the MSMEs in a major way, Mr Mishra said that while the demand side is addressed, due attention is required on the supply side. He underlined the urgent need to build a robust database of the suppliers which can serve as vital inputs for demand management.

Stating that finance and technology are most crucial for the overall development of the sector, Mr Mishra said the enterprises would do well to explore global partnerships. He added that global companies will also benefit by sourcing from Indian companies, especially in areas like defence and aerospace, pharma, ICT, agro-processing, among others.

Earlier, Mr Deep Kapuria said in his welcome remarks that the challenge lies in growing the micro enterprises to the level of medium enterprises and of creating an environment for the medium enterprises to become large entities.

Mr Kapuria expressed hope that the Reserve Bank of India's recent move to set up a special committee to address the huge gap in the financing of MSME sector will yield significant results in the future. He also highlighted the need for Indian MSMEs to partner global enterprises in a mutually beneficial manner.

Mr Kapuria said that the MSME growth is contributing to India's inclusive growth process but due attention is required on the sustainability issues. The sustainability issues will also open up new business opportunities for the sector, he observed. ■



# A Bold Move

According to a CII Survey, the SME sector is in favour of the government's decision to allow 51% Foreign Direct Investment (FDI) in multi-brand retail and 100% in single brand retail

India has begun to usher in a set of reforms that will allow international corporations to gain a foothold and open up the retail sector in the country. Restrictions on mega-retailers were lifted in September, along with barriers to investment in the aviation and broadcast media industries. A month later, the government proposed increasing the amount of foreign investment allowed in Indian insurance and pension schemes. The reforms are among the most aggressive in decades, yet still require foreign operators to partner with Indian companies. However, the large retail operators will only be permitted to open stores in the 53 cities with a population greater than one million people. And states retain the right to veto the new initiatives.

## CII Survey on Retail Impact

The Confederation of Indian Industry (CII) has recently undertaken

a comprehensive survey on Foreign Direct Investment (FDI) in retail on SME sector, in particular to assess the impact of the government's decision to allow 51% foreign direct investment (FDI) in multi-brand retail and 100% in single brand retail on the Indian SME sector on different aspects of growth based on some select parameters.

The survey is based on a large sample size of 250 companies covering different categories of SMEs according to sales turnover including SMEs with a turnover of Rs 25 lakh to 1 crores, between Rs 1 crore to Rs 5 crore, Rs 5 crore to 25 crore and SMEs having turnover between Rs 25 crore and 100 crore and above, from different regions of the country.

The CII Survey confirms that almost 96% of the respondents from SME sector are aware of the Government's earlier decision to allow 100% FDI in single brand retail and 51% FDI in multi-brand retail and also of the latest notification in

January this year.

The SME Industry, according to the survey, is in favour of the government's decision to allow 51% Foreign Direct Investment (FDI) in multi-brand retail and 100% in single brand retail. A majority of the SME companies, surveyed have supported the government's decision and the notification allowing 100% FDI in single brand retail and about 52 percent of respondents hope for early implementation of 51% FDI in multi-brand retail.

On the question how the SME industry consider entry of MNC retailers as a threat or opportunity, majority of respondents (66.7%) see it as an opportunity for their sector while around 21 % of respondents perceive it as a threat. About 12.5 percent of respondents are of the opinion that the decision would have little or no impact on their company.

The survey has also tried to find out and make an assessment of the impact



of the opening of FDI in retail on SME in terms of different growth indicators like sales, size of the industry, capacity expansion, employment, branding and achieving other efficiencies.

### Impact on Sales

Majority of the respondents (98.6 percent) are of the opinion that the opening of the FDI in retail will result in substantial growth of sales of their products. Of them, around 21 percent respondents foresee that the impact on the growth of sales of the product would be in the excellent range of more than 20 percent, 31 percent of the respondents perceive the impact on growth of sales to be in the high range of (10-20 percent) while 33 percent expect it to be in moderate range (5-10 percent). 8 percent of the respondents perceive the growth to remain in a low range (0-5) category and 6 percent of the respondents feel that the decision would have a negative impact on the growth of sales of their products.

### Impact on Size of Industry, Capacity Addition

On the aspect of the possible impact on the size of the industry, business and capacity addition, majority of the respondents (98 percent) expect the expect the size of their Industry / company to grow with the opening of 51 percent FDI in multi-brand retail along with 100 percent FDI in single-brand retail. Around 22.9 percent of respondents perceived that their industry would grow by Excellent rate of more than 20 percent). 25 percent of the respondents expect the

impact on the size or capacity addition to be in the high range of 10-20 percent while 33 percent expects the growth to be in the moderate range of 5-10 percent and 22 percent perceive the growth to be in the low range (0-5 percent) category. A significantly negligible 2 percent of the respondents feel that the decision would have a negative impact on the growth of size of the industry and business.

### Impact on New Orders/ Contracts

Majority of respondents are of the view that the decision of opening of the FDI in retail would impact positively in the form of new orders/contracts generated. Around 31.2 percent of respondents expect the new orders and contract to grow substantially with more than excellent rate of 20 percent growth. 27 percent of the respondents expect the impact on the new orders and contracts to be in the high range (10-20 percent) while 31.2 percent expect the growth of orders / contracts in respect of their products to be in the moderate range (5-10 percent). Around 6 percent perceive the growth to be in a low range (0-5) category but 4 percent of the respondents feel that the decision would have a negative impact on the growth of size of the industry in terms of new orders.

### Impact on Qualitative improvements and branding of the products

Over 56 percent of the respondents are also of the view that the government's decision of mandatory sourcing of a minimum of 30% from Indian micro and small industry will help in achieving qualitative improvements and branding

of the products. This in turn will ensure SMEs in receiving a sure source of market for their products while ensuring higher value realization for their products/supplies. This will also provide for expansion of the scales of production facilitating domestic value addition in manufacturing, thereby creating a multiplier effect on employment, technology up gradation and income generation, demand and further investment.

### Impact on Supply chain efficiencies

In the survey, 68.7 percent of the respondents are of the opinion that the opening up of the retail would lead to improvements in the supply chain efficiencies in their sector which in turn will integrate small and medium size enterprises into the modern trade process, resulting in substantial amount of knowledge and skills transfer in the sector.

### Impact on Employment

Around 48 percent of the respondents are of the opinion that the decision would have a positive impact on their employment whereas 35 percent expect no change in the employment scenario. Around 16 percent expect the impact of FDI in retail on the employment in the SME sector to be negative.

### Conclusion

Being encouraged by India's growing retail boom, many multinational companies also started making beeline to enter India's retail market. Indian Industry, by and large, has also hailed investment from abroad which has been considered to be very vital for adding to domestic investment, addition to capacity, higher growth in manufacturing, trade, business, employment, demand, consumption and income with multiplier effects. Besides, the government has also taken a number of pro-active policy measures in recent times for encouraging growth of retail business and other allied activities like creation of the required infrastructure facilities, centers of manufacturing excellence, providing for a good network of production, marketing, storages, distribution and cold chain facilities for spreading the effects of development to downstream level for inclusive growth. ■



# Go For A Skill

If the issue of lack of skilled manpower is addressed India can achieve remarkable growth in MSME sector and become a global supplier of quality manpower

It is often said that India enjoys a "demographic dividend" compared to rest of the world due to its huge population in productive age group. Most of the other developed as well as developing countries face the threat of an aging population. If this comparative advantage can be augmented with adequate skill development, India can become a global supplier of quality manpower. However, lack of skilled manpower and information as well as lack of reach to modern technology are key issues affecting the growth of MSME sector.

In this backdrop, Ministry of MSME has decided to accord top priority to skill development. The Ministry conducts a large number of short term as well as long term

courses to train unemployed youth for self employment, to provide necessary skill to the youth to make them eligible for wage employment and also to upgrade the skill level of existing workers and entrepreneurs of MSME sector. Prime Ministers Task Force has identified lack of skilled manpower as a road block for the growth of the MSME Sector. The Ministry of MSME has been mandated to provide skill to 42 lakh persons during the 12th Plan period.

#### Key Challenges

- To upscale the training capacities from the present capacity of training 4 lakh persons per year to more than 8 lakh persons per year during the 12th Five year Plan.
- Spreading skill development activities throughout the country, particularly in the backward areas & the areas infected by extremism and reach the weaker sections of the society.
- Developing an eco-system for the success rate of training in self employment or job employment through the process of Train - Loan- Link - Support.
- Developing a pool of certified trainers with adequate technical competency.
- Developing a self-sustainable mode for conducting the training programmes with reduction in budgetary allocation over the period.
- Standardising the curricula for the training programmes to be implemented uniformly all over India.



- Developing a transparent system for conduct of the programmes, registration of participants etc. and putting it in the public domain.

## 12th Plan Working Group

The Working Group recommends up-scaling of the training capacity of the Ministry through public private partnership mode. Group also recommends that besides existing programmes for entry level/new entrepreneurs, training programmes be also conducted for skill up-gradation of chief executives/owners of the MSMEs with some element of subsidy from the government. To ensure quality of training programmes conducted and transparency in the entire process of selection-registration-administration handholding of the trainees, it is recommended that a web-based management information system be launched. The respective portal should also host the details of the training curricula, trainer/faculty and process of training. Further, training may be provided for MSME Associations also.

To coordinate the entire process of conducting skill development programmes setting up of a virtual SME university has also been recommended. The proposed university will standardise the training curricula, certify the trainers and certify the trainees on completion of the programme. Ultimately, the university will be a repository of the details of the persons trained under various programmes of the ministry as well as other ministries and function as a virtual employment exchange.

Towards enhancing skill level of workers of MSME Sector, setting up of 100 tool rooms/ Technology Development Centres (TDCs)/ Central Footwear Technology Institutes (CFTIs) is recommended which will provide specialised training to the existing and prospective workers of the manufacturing sector. These Institutions set up in industrial districts/clusters with state of the art machines shall provide training to the youth to make them readily employable in high growth sectors like auto components, engineering, leather, garments etc. Necessary budgetary allocation has been proposed under infrastructure vertical.

For ensuring sustainability of programmes, it is proposed that programmes be gradually taken to self-financing level, which will also ensure quality as demonstrated by training

programmes conducted by tool rooms on self-sustainable basis.

To ensure a high success rate of trainees, involvement of industry associations in training programmes has been recommended for identification of the skill gap, developing appropriate training curricula and handholding of trainees in self/wage employment. To ensure institutional credit to the trainees for self employment, it has been proposed that 50% of the targets under PMEGP may be set aside for the trainees of the various skill development programmes undertaken in the Ministry.

The Working Group recommends a total allocation of Rs 3,600 crore for various schemes under skill development & training vertical during 12th Five Year Plan under which a provision of Rs 2,500 crore is kept for the umbrella scheme on skill development, Rs 900 crore for setting up/strengthening of EDIs, Rs 100 crore for proposed virtual SME University and Rs 100 crore for ongoing TREAD scheme.

## Other Initiatives

The Office of Development Commissioner MSME conducts several vocational and entrepreneurship development programmes. The Entrepreneurship Development Programmes (EDPs) are conducted through MSME-DIs, with focus on entrepreneurial skills development coupled with specific skills relating to trades such as electronics, electrical, food processing, etc., which enables the trainees to start their own ventures.

Entrepreneurship Development Programmes (EDPs) are organized regularly to nurture talented youth by enlightening them on various aspects of industrial activity required for setting up MSMEs. The EDPs are generally conducted in ITIs, polytechnics and other technical institutions.

Entrepreneurial Skill Development is a comprehensive training programme organised to upgrade skills of prospective entrepreneurs, existing workforce and skills of new workers and MSME technicians by organising various technical-cum-skill development training programmes. The tailor-made programmes for the skill development of socially disadvantaged groups (OBC, ST, ST, Minorities and women) are organised in various regions of the states, including the less developed areas.



This programme covers training across 60 disciplines.

Business Skill Development Programmes (BSDPs) are tailor-made courses introduced for new entrepreneurs through select business schools, technical institutions, etc. The programme is devised to encourage educated, unemployed youth to start self-employment ventures of micro, small and medium enterprises thus facilitating employment generation.

Management Development Programmes (MDPs) imparts training on management practice system is to improve the decision-making capabilities of existing and potential entrepreneurs resulting in higher productivity and profitability. This short duration programme covers training across 60 disciplines.

Industrial Motivation Campaigns (IMCs) are organised to identify and motivate traditional/ non-traditional entrepreneurs having potential for setting up MSMEs and facilitating self-employment.

Vocational and Educational Training: The Ministry of Micro Small and Medium Enterprises has set up three national-level Entrepreneurship Development Institutes (EDIs) that facilitate continuous training of first-generation entrepreneurs. They are: the National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad; the Indian Institute of Entrepreneurship (IIE), Guwahati and the National Institute for Entrepreneurship and Small Business Development (NIESBUD), Noida. Further, the Ministry is implementing an important scheme, namely, Scheme for Assistance for Strengthening of Training Infrastructure of Existing and New Entrepreneurship Development Institutes (EDIs). All these initiatives meet the rigorous ongoing training needs of the industry. ■



# Small Sector Needs Big Space

SMEs are hit hard by the lack of available finance in the capital intensive Aerospace industry. However, SMEs can be well positioned for opportunities, provided they continuously add value and maintain quality

**A**erospace manufacturing is a high technology industry that produces aircraft, space vehicles, aircraft engines, propulsion units, and related parts. Its value chain is characterized by a long project life cycle spanning R&D, engineering design, manufacturing, assembly, maintenance, repair and overhaul. Intensive technology and safety requirements mandate significant investments in R&D and quality control. India is one of the fastest-growing aerospace markets.



## Growing Internal Demand

New acquisitions in defence during the 12th and 13th plan period will almost double the military aircraft and helicopters produced in the next 5 years. Around 650 aircraft are estimated during the 12th Plan period compared to around 300 during the last 5 years. HAL has been the major producer for the Indian armed forces. The turnover of HAL at the end of the 11th five year plan is Rs 14,000 crore with an annual growth rate of more than 10%. The growth pattern is expected to continue in the 12th Plan also. The turnover of HAL at the end of 12th five year plan is estimated at Rs. 23,500 Crore. The new programmes will create employment opportunities.

Indian civil aviation sector could witness a growth up to 20% in the domestic passenger traffic. India's air passenger travel has been growing at almost 25% a year and it will outpace the global average by 2025. A projection of number of aircraft required by India in the next 3-4 years is depicted in the table. DGCA estimates a requirement of 700 aircraft by 2015.

## SME Participation

The liberalisation of the Aerospace sector in the mid-nineties has resulted in a remarkable growth of this sector, as a large number of private players have entered the sector. However, it is true that SMEs are being hit hard by the lack of available finance in this capital intensive industry. The ability to be leaner, more agile and cheaper, gives SMEs a cutting edge to be well positioned for opportunities, provided they continuously add value and maintain quality. Those SMEs that manage to tighten the belt and survive on their own working capital actually have a huge opportunity to exploit the impact that market forces are exercising on the larger businesses.

To move up the global aerospace value chain, SMEs should focus on innovation, building intellectual property, and adopting quality and process standards to be able to offer complete sub-systems or assemblies. Firms that focus on multipurpose technology have secured their position in the market by becoming specialized suppliers serving different global value chains. SMEs of aerospace

and precision engineering sectors have become conscious of their competitive strengths, which they associate in particular to flexibility and quality of their offer.

In view of the growing private sector participation in defence R&D, the government should encourage the participation; and such participation should be primarily financed by the government, because defence R&D is expensive and marked by an element of uncertainty.

Another challenge that SMEs face in the aerospace industry is talent. It is the need of the hour as availability of skilled workforce is a concern and domain knowledge is the key. The focus for SMEs should be to develop new employees through specialized training programmes and assimilation, while keeping current employees and attracting highly skilled new workers to join the workforce. It's a highly strategic effort and takes a conscious effort from management to source, attract, select, train, develop, promote, and move employees through the organization.■



**Mr Douglas K Gates, Partner, KPMG, USA**

Indian MSMEs in aerospace and defence sector need to control cost, bring in skilled workforce, assure quality in delivery and collaborate in innovations. In the aerospace industry there is zero tolerance for poor quality.



# Image Building Can Take SMEs a Long Way

SMEs should be very cautious in managing the image of their business. Small steps can reap big benefits if taken diligently and can be tragic if they lack the caution and skill

A company's primary objective is to showcase its service or products to the prospects and thus build on the customer base. A good customer base results in more business and thus leads to other business benefits. Many at times companies, predominantly Small & Medium Enterprises (SMEs), in their growth stage, become so focused in 'deals clinching' that they miss on to the other aspects of business operations which impact the image of the company.

Unlike SMEs, their big brothers, Large Enterprises (LEs) manage their image in a much more proficient manner where they have all the will and capacity to use any possible medium to sustain the desired image. It is in this context where we believe that SMEs should be very cautious in managing the image of their business. Small steps can reap big benefits if taken diligently and can be tragic if they lack the caution and skill.

An image for a company can be dependent on four key areas- Leadership Team, Customer Service Experience, Financial reporting, & Associations. Let's understand each of these image building parameters in detail.

**Leadership Team or Management:**

For businesses in the growth stage, the management usually comprises of

the partners or the family members and thus it becomes very crucial to showcase the members with high levels of proficiency and capability to hold the position. Appointing management team should be done keeping in a view that any investor, shareholder, commercial banker or rating agency would look for the management team as a first step of due diligence. The credibility of the leadership team based on the experience, educational qualifications and domain expertise reflects the firm's strength and business acumen.

**Customer Service Experience:**

Since the evolution of trade one fundamental which has not changed in the rulebook of doing business is the customer service experience a company offers. The correlation between the customer service capability and brand image is very high. For SMEs, where the organization is on its take off mode, good references from existing satisfied customers can act like a booster. The management team should always strive to align the employees towards the most desirable service to be offered to the client. In the present world where news travels faster than light, any negative feedback can deteriorate the business image in front of the stakeholders.

**Financial Reporting:** At Religare Finvest, where we lend capital to SMEs,

very often we come across disastrous financial reporting. This is primarily because of the entrepreneur's lack of accounting knowledge and hitch to hire professionals to manage the same. Just by glancing through the financials of SMEs it's easy to gauge the level of earnestness the management has. A good financial reporting leaves an impression of trust and credibility not only on the financial partners but also on the regulators and authorities.

**Associations:** A great thought to share and build on the context here, 'It tells a lot about you by the way you choose your allies'. During the course of building the business (in any life stage of an SME), association with the right partners ranging from financiers/bankers to vendors & suppliers, matters a lot. This decision helps in the smooth functioning of the business operations owing to the good track record of the partners and thus the image and brand.

At Religare Finvest Limited, it is our resolve to support and assist the SMEs in accomplishing their business objectives hence we continuously strive to mentor them through our thought leadership. During our interaction we look forward to offer value added consultancy related to business strategy, apart from financial service, through the existing ecosystem of the Religare group.■



**Kavi Arora is Managing Director & Chief Executive Officer at Religare Finvest Limited managing the Small and Medium Enterprises (SME) focused commercial lending business.**

**For any suggestions and feedbacks related to the article kindly write to [marketing.rfl@religare.com](mailto:marketing.rfl@religare.com)**



# IPR key in Technology Acquisition

IPR constitutes an important part of agreements, therefore, MSMEs engaged in any technology acquisition must be aware about IPR aspects and know how to deal with IPR issues during negotiations

Intellectual Property Rights (IPR) play a critical role in any technology acquisition that is completed through written technology license agreement(s). IPR include eight different forms of rights, each of which is governed by a separate law and each right is exclusive and independent of others. The different forms are patents, copyrights, trademarks, designs, geographical indications, undisclosed information, new plant variety and lay-out design of integrated circuits. All forms may not appear in any single license agreement and their reflection will be dependent on the technology area, the type of industry, area of operation, market size and coverage and so on. However in every case of technology acquisition, patents, copyrights, trademarks and undisclosed information (sometimes also known as know-how) will be part of any agreement.

The topics of technology up-gradation, off-set policy and technology acquisition are under sharp focus of Government and the industries, for a meaningful leap forward to face and beat the competition on the home and international fronts. Technology up-gradation can be the result of in-house R&D or due to a bought out technology. Under the off-set policy, new technologies will be deployed by the Indian industries for manufacturing new products. This will entail technology acquisition, setting up new infrastructure and facilities, enhancement of human skills and training etc. There could be acquisition of technology outside the off-set policy as well. India has signed bilateral trade agreements like CECA, CEPA and FTA with some countries and many may be in pipeline. IPR constitutes an important part of all these agreements with coverage varying from agreement to agreement,



and therefore, MSME engaged in any technology acquisition must be aware about IPR aspects and know how to deal with IPR issues during negotiations.

While getting engaged in a technology transaction, all IPR must be clearly spelt out along with the left over protection term, jurisdiction of protection and ownership. Other essential elements are the nature of license and restrictions for use, territory of exploitation, period of license, license fees and down payment at the time of licensing, responsibility of handling infringement and meeting expenses for litigation, obligations of the licensor and licensee, arbitration procedure and the rights / obligations of each party after the expiration of the agreement. A technology transaction would entail different types of taxes both for the licensor and licensee which should also be accounted for. It should be reckoned that Indian companies need to have negotiating skills on the IPR front which in turn would also call for excellent skills on drafting and finalizing contracts. For example, it may be difficult for many companies to determine the chain of ownership of a patent which they may be obtaining under a license. This may

become critical in case of an already known technology. There are certain anti-competitive practices in contractual licensing of IPR defined in our IPR laws and the Competition Act 2002. Similar practices are also stipulated in Trade Related Aspects of IPR (TRIPS) under WTO. Such practices should be kept out of any license agreement. MSME should be educated to ensure that these practices should become a part of the agreement.

Technology up-gradation without consideration to patents and other forms of IPR may be filled with risks of infringement, barriers to innovations and limitations on manufacturing. Identification of possible technologies likely to provide benefit in the long term is the central issue while considering technology up-gradation. Patent information and information about other IPR would provide information about niche areas, important players, identifying technology partner(s), determining chain of ownership, expiration of rights, competitive technologies and so on. It is always recommended that the expiry date of an IPR be checked and it is ensured that payment is not made for the IPR beyond the expiry date.

The government has many schemes providing incentives including tax benefits for generating intellectual property and protecting it legally, creating awareness about IPR and training in IPR. While MSME make full use of various schemes, they should invest in educating their management in the field of IPR and the developing strength to understand IPR so that they extract the maximum advantage while acquiring technology and exploit newly generated IPR for growth, expansion and profits.■

By **R Saha, Senior Advisor, Confederation of Indian Industry.**



## Pertinent Partner in Progress

India and Cambodia have bilateral cooperation in diverse fields such as institutional capacity building, human resource development, extension of financial assistance in infrastructure projects, security and defence.



Historically, India-Cambodia bilateral relations have been warm and cordial, and both the countries cooperate in a number of multilateral and regional foras. However, in the context of our 'Look East' policy and the ASEAN, Cambodia is an important interlocutor and a good partner. Cambodia has been a strong proponent of enhanced interaction between India and the ASEAN, and played a pivotal role in achieving the goal of the ASEAN-India. Within ASEAN, Cambodia's interaction with India has enhanced substantially since July 2009 when Cambodia took over as Country Coordinator for India for a three years period.

The contemporary times have witnessed expansion of cooperation in diverse fields such as institutional capacity building, human resource development, extension of financial assistance in infrastructure projects, security and defence. On political front, both countries have demonstrated willingness to further enhance bilateral

cooperation through exchange of Ministerial visits and through interactions at regional and international forums.

On the bilateral trade front potential existed for enhanced economic engagement between the two countries. To achieve this objective, the First India-Cambodia Trade and Investment Business Forum, Exhibition and Buyer Seller Meet was organized in Phnom Penh on 11-12 November, 2009. Total bilateral trade in the year 2010-11 was US\$ 71.92 million (Indian export of \$63.91 million and import of US\$8.01 million). A number of trade delegations visited Cambodia during last year to explore business opportunities and held buyer-seller meets.

Former India President, during her state visit to Cambodia in September 2010, encouraged Cambodian and Indian business persons to avail trade and investment opportunities that exist in both the countries. In order to promote trade with Cambodia, India has extended duty free tariff preference scheme to

Cambodia since June 2009. This, along with India-ASEAN FTA, is expected to improve bilateral trade in the near future. In order to enhance bilateral economic engagement, India has demonstrated willingness to offer concessional Lines of Credit, especially for infrastructural related project. Bank of India opened its branch in Phnom Penh in May, 2009 and this development is expected to assist in improving bilateral trade and investment ties.

Towards capacity building in Cambodia, Government of India has set up in Phnom Penh under IAI Programme Cambodia-India Entrepreneurship Development Centre (CIEDC) in February, 2006 and Cambodia-India Centre for English Language Training (CICELT) in August, 2007. As for Human Resource development, till date, Cambodia has utilized 943 civilian training slots and 98 defence training slots under ITEC. Taking note of increasing demand for civilian training courses, slots for Cambodia under ITEC have been enhanced to 85 from 75 since 2009-2010 and to 100 from 2011-12.



Separately, 15 education scholarships have been offered every year, 10 under MGC and 5 under GCSS.

India has extended bilateral financial assistance to Cambodia through grants and Lines of Credit. Several projects under India's Lines of Credit in the areas of electric transmission lines (US\$30 million), irrigation (US\$30 million) and installation of water pumps (US\$5.2 million) are under implementation. India is providing financial assistance of approx. US\$ 1.7 million for setting up of the MGC Asian Traditional Textiles Museum at Siem Reap under Mekong Ganga Cooperation (MGC) initiative, for which construction of the building has been completed in December 2011.

### Cambodia: An Over View

Cambodia experienced remarkable economic growth over the decade 1998 to 2007, with average GDP of 9.8% per annum. From 2004 to 2007, growth was consistently above 10%, driven mostly by four key economic sectors: garments, tourism, construction and agriculture. These four economic pillars provide significant opportunity for SMEs servicing the supply chain within each sector, whether providing services, food, travel, transportation or services needed by bigger industries and their workforce. In the wake of the financial crisis in 2008, performance deteriorated sharply.

Although limited development of its financial sector shielded Cambodia from the worst impact of the global financial turmoil, it was unclear at the time this report was prepared in 2009 whether Cambodia would face a recession or possibly achieve as much as 5% growth.

In order to continue sustained economic growth, the Royal Government of Cambodia (RGC) recognises that the creation of an enabling environment for private sector development is a precondition for promoting economic growth, creating employment, reducing poverty, and sustaining economic development. This spirit is clearly reflected in the Rectangular



Strategy for Growth, Employment, Equity, and Efficiency in which development is a very important pillar with regard to both private sector development and job creation.

### SME in Cambodia

The SME sector dominates Cambodia's economy in terms of the number of firms (99%) and of employment (45%). SMEs operate almost entirely in what is referred to as 'the informal sector'. Often SMEs are only licensed to operate by relevant ministries at the provincial and/or municipal level, and only regulated by local authorities. As demonstrated in the findings of this survey, it is unclear to most business owners what constitutes legal registration of their business. Because business owners usually do not have access to information on the procedures required for formal registration, they assume that paying monthly taxes and/or the government fees, whether formal or informal, means that their business is legally registered.

According to a Ministry of Industry, Mines and Energy (MIME) report on SME statistics in Cambodia in 2007, Cambodia had a total of 31,149 small industrial establishments with fewer than 50 employees. Based on similar data from 1999, this number represents growth in total establishments of approximately 26%.

Food, beverage, and tobacco manufacturers comprise the largest

number of small industrial establishments. The same report also reveals that according to data from Ministry of Economy and Finance (MoEF) and the Tax Department, there are 55,466 SMEs. However, in 2007, only 14,324 SMEs were formally registered as limited liability companies. It is noteworthy that most enterprises remain unregistered with the Ministry of Commerce (MoC), and instead obtain operating permits from other ministries and departments at the local level i.e. the provincial or municipal level. With so many unregistered SMEs, it is difficult to estimate the number of enterprises in Cambodia, especially the number of very small businesses i.e. the micro enterprise sector. Furthermore, predicting trends in SME development is difficult due to the limited data available on them. However, it is very clear that the number of registered SMEs has increased in the last few years and this trend is bound to continue as Cambodia becomes more integrated into the ASEAN and global economy.

Its open economy, investment-friendly environment and unexploited commercial avenues are attracting the Indian SMEs to explore business opportunities in this largely untapped market. It has been viewed that Cambodia is a lucrative market for the Indian SMEs to export raw materials used for pharmaceutical products, garment industry, machinery and automobile components.■

### CII SME Mission to Cambodia

Coinciding with the second edition of the ASEAN-India Car Rally in November-December 2012, CII is mounting a SME mission to Cambodia from 4 to 7 December 2012 and it will organise the Roundtable on Business Opportunities for SMEs in Phnom Penh on Friday, 7 December 2012, as the Business Marker event.



## Roundup of Major MSME Linked Initiatives Taken By CII Regional Offices

### NORTHERN Region

### ONE-DAY WORKSHOP HELD



Mr CN Dhar, Chairman, CII HP State Council, gives away the trophy to Parivartan Team of Tata Motors, winners of 25th Quality Circle Preliminary Competition, at Baddi

A day-long workshop on manufacturing excellence has been organised at Baddi. Mr Ravinder Kumar, Senior Counsellor, CII-Avantha Centre for Competitiveness for SME, was the faculty for the programme. The objective of the programme was to share the role of Kaizan, 3M and Autonomous Maintenance in a total productive maintenance programme for achieving zero break down. The participants got an opportunity to learn the value of a team-based process, continuous improvement approach to improve equipment reliability, building diagnostic and problem-solving skills, and the value of routine cleaning and inspection for achieving manufacturing excellence.

Meanwhile, the Parivartan Team of Tata Motors was adjudged the winners of 25th Quality Circle Preliminary Competition held at Baddi. Kanzen Quality Circle of Mahindra & Mahindra was adjudged the first runner-up trophy and Umang Quality Circle of Vardhman Textiles Ltd bagged the second runner-up trophy. The competition included presentations by eleven quality circle teams of Secure Meters,

Rockman Industries Ltd, Vardhman Textiles Ltd, Mahindra & Mahindra, Gabriel India Ltd, Tata Motors Ltd, Bharat Electronics Ltd, and Denso India Ltd. At Jaipur, Navodaya QC team of Tata Motors Ltd, Lucknow, was the winner, Disha QC of Sandhar Technologies Ltd, Gurgaon, was the first runner-up and Spark Line QC team of Ashok Leyland Ltd, Jaipur was the 2nd runner-up. Total twelve QC teams including teams of Bharat Electronics Ltd, NEI Ltd, Tata Motors, Denso India, Ashok Leyland Ltd, Sandhar Technologies Ltd, participated in the competition.

At Rudrapur, a training programme on industrial safety has been held. It was attended by more than 30 engineers, supervisors and workers from various companies. The programme stressed on safety in industrial activities like welding & cutting, material handling, use of power tools, handling of gas cylinders etc, and also focused on the emergency action in case of any accident. The programme enabled the participants to be aware of various industrial hazards and how to minimise the risk of accidents so that the overall production and resource management in its

best form can be ensured.

At Ghaziabad, a workshop on achieving 'zero break down' has been organised. Mr Sibasis Basu from CII-Avantha Centre for Competitiveness for SMEs was the faculty of the workshop. He said in order to improve the availability of equipment for production and achieve qualitative production, the equipment is to be kept in a desired condition. Factory wide maintenance orientation must be proactively changed from breakdown maintenance to preventive and predictive maintenance. The workshop was well attended by around 65 participants from the industry.

CII Haryana has organised a training programme on customer management with an objective to acquaint industry with innovative customer management process to capture customer feedback through communication and improving professional atmosphere. The workshop touched upon parameters such as loyalty through a differentiated customer experience, targeting potential customers through unique selling process, moving from customer satisfaction to customer delight etc. The training programme was conducted by Mr Tapas Dasmohapatra, a motivational speaker and corporate trainer.

CII Western Uttar Pradesh organised a study mission on 'Practicing Quality for World Class Manufacturing' on 8-9th October 2012 in Bangalore. The objective of the Mission was to showcase the excellent work being done by companies in developing & practicing various best manufacturing practices and to ensure quality across different sectors. ■

### WESTERN Region

### SEMINAR ON TECHNICAL TEXTILES

A Seminar on Technical Textiles: Leveraging Untapped Opportunities has been held at Gandhinagar. It was jointly organised by Government of Gujarat and CII as a run up to the Vibrant Gujarat 2013 Summit.



A seminar on Technical Textiles: Leveraging Untapped Opportunities being held at Gandhinagar.



Meanwhile, an interactive session between Industry leaders of Gujarat and Mr Howard Ronaldson, Secretary, Department of Business and Innovation, State Government of Victoria, Australia has been held. The objective of the meeting was to understand the possibilities of

collaboration and trade between Victoria and Gujarat, particularly in the areas of cleantech, automotive, engineering, food processing, dairy and education. A MSME round table has been organised in which discussion on topics like lean practices, vendor development

and supply chain management dominated. A MSME Panel Meeting was held on 12 September at Nashik and brief presentation on Cluster Developmental Approach was made by CII-AVANTHA Center for Competitiveness for SMEs. ■

## SOUTHERN Region

## ONE-DAY CONFERENCE ON MSME CONNECT



Mr Anshul Mishra IAS, District Collector, Madurai delivering inaugural address. (L-R) Mr J Nagasundar, Executive Officer, CII Madurai Office; Dr S Rajamohan, Convenor, MSME Panel, CII Madurai Zone; Mr N Krishnamoorthy, Chairman, CII Madurai Zone and Mr A Kathir Kamanathan, Vice Chairman, CII Madurai Zone

**M**SMSE Panel of CII Madurai Zone organized a one-day conference on MSME Connect on Friday, 21 September 2012 at Madurai. In his Inaugural Address, Mr Anshul Mishra IAS, District Collector, Madurai District said that Madurai, with its

significant advantages such as proximity to Tuticorin Port and presence in the world map as a famous tourist destination, has the potential to emerge as an industrial hub. 'A conducive atmosphere can be created only by the participation of the industry, government and educational institutions. Madurai has a decent number of engineering college and polytechnic institutions and a large pool of skilled youth,' he said. Earlier, Mr N Krishnamoorthy, Chairman, CII Madurai Zone welcomed the participants and said that financial investors took into account two important factors : skill development of the graduates in the area and the ecosystem of the area. In his theme address, Dr S Rajamohan, Convenor, MSME Panel, CII Madurai Zone said that if a big ticket investment were to be established in Madurai, many ancillary units would come up around it. Mr A Kathir Kamanathan, Vice Chairman, CII Madurai Zone delivered closing remarks. Around 80 delegates participated at this conference.

Meanwhile, CII Erode Zone has organized a

Session on 'Recent Trends in Business Strategy' through the concept of Blue Ocean Strategy (BOS) which believes in generating high growth and profits in organizations by creating new demand in an uncontested market space or a 'Blue Ocean', than by competing head-to-head with other competitors in an existing market space. Nearly 50 participants from CII and Yi (Young Indians) members took over the benefit of the session.

CII, Chennai Zone in association with AIEMA organised a one-day conference on cost effective for MSME on 30 October 2012 in Chennai. Speaking at the conference Mr S Sivagnanam, Director, MSME Development Institute, Chennai, stressed the importance of cost-effective ICT solution for the MSMEs to counter competition. He said appropriate ICT can only help MSMEs by improving their internal processes, improvement of their products through faster communication with their customers and better promoting and distributing their products through online presence. ■

## 2ND AROGYA 2012 HELD

**M**r Naveen Patnaik, Chief Minister, Odisha, inaugurated the second edition of AROGYA 2012, a four-day health fair that aims to display and promote the strengths and potential of India's traditional medicinal systems, at the IDCO Exhibition Ground in Bhubaneswar on November 9. Department of AYUSH, Ministry of Health and Family Welfare, the Government of India, and the Department of Health and Family Welfare, the Government of Odisha, in association with the Confederation of Indian Industry (CII) organised the event, keeping in mind the demand for alternative medicine. The objective of this fair is to create awareness on the benefits

of ayurveda, yoga and naturopathy, unani, siddha and homoeopathy and integrate these in the mainstream healthcare delivery structure.

Apart from ministers and senior government officials from Odisha as well as from other states, the event was attended by a large number of manufacturers, AYUSH Doctors, researchers, retailers, consultants, industry associations and end-users gather under one roof and take part in seminars and conference.

Meanwhile, CII in association with Department of Tourism, Government of West Bengal organised the North Bengal Conclave on 12 and 13 October 2012 in Siliguri. The Conclave was inaugurated by Mr Gautam Deb, Minister

of North Bengal Development, Government of West Bengal. Around 200 delegates attended the event. ■



Mr Naveen Patnaik, Chief Minister, Odisha, lighting the traditional lamp at the second edition of AROGYA 2012 in Bhubaneswar on November 9.

## EASTERN Region



# Upcoming Events

## MSME focused Events/Programmes (November & December 2012)

### CII Northern Region

Title/Theme	Date	Venue
Manufacturing Technology Study Mission for MSMEs	22, 23 November 2012	Gurgaon / Faridabad
State Level ESDM Workshop	6 or 7 December 2012	Dehradun
Launching of Jalandhar Cluster for SMEs.	24 November 2012	Jalandhar
Workshop on Winning with People	6 December 2012	Chandigarh

Contact: Vinod Dhiman, Phone: 98760-52760, Email ID: vinod.dhiman@cii.in

### CII Western Region

Title/Theme	Date	Venue
CII Interaction Meeting with Joint Director General of Foreign Trade, Ahmedabad	30 November, 2012	CII House, Ahmedabad
Workshop on Purchase Management	16 December 2012	CII House, Ahmedabad
MSME Linkage	28 December, 2012	CII House, Ahmedabad

Contact: Abhoy Bhattacharya, Phone: 91 79 4027 9900-10, Email ID: abhoy.bhattacharya@cii.in

Manufacturing Mission to Haridwar	13-14 December	Malwa Zonal Office
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Contact: Ashwani Singh, Phone: 9993446238, Email ID: ashwani.singh@cii.in

4th Manufacturing Excellence Conference Focus on SME	13 December 2012	Aurangabad, Maharashtra
Training Programme on 7 QC Tools & Human Error Proofing, along with Case Studies	14 December 2012	Nashik, Maharashtra

Contact: Ramesh Joshi, Phone: 022 24931790 Ext: 411, Email ID: ramesh.joshi@cii.in

### CII Southern Region

Title/Theme	Date	Venue
Kerala State level quality circle competition	7 November 2012	The Abad Plaza, Kochi
Lean Manufacturing Workshop	8 November 2012	Madurai
Mfg Excellence Mission to Hyundai Motors India P Ltd	28 November 2012	Chennai
Session on TQM in Education	November 2012	Salem
MSME Meet	November 2012	Hotel Club Melange
Seminar on Business Opportunities available in Copper bi-products	November 2012	Thoothukudi
Workshop on Enabling flow in Manufacturing	November 2012	Salem
Conference on "Construction Techniques"	November 2012	Salem
India MSME Summit 2012	1 December 2012	Hotel Le Meridien, Kochi
HR IMPACT 2012	7 December 2012	The Gateway Hotel, Kochi
Brand Summit 2012	14 December 2012	Hotel Le Meridien, Kochi
Workshop on Paramedical with Shankar Nethralaya Insitte of management	December 2012	Salem
StarTrek with Chairman, SKKM Group	December 2012	Salem
MSMEs - Best Manufacturing Practices Mission to Chennai	December 2012	Chennai
Workshop on Corrosion Management	December 2012	Thoothukudi
Mfg Excellence Mission to Sundram Fasteners Ltd & TTK-LIG Ltd	December 2012	Virudhunagar
Entrepreneurship Conference	December 2012	Madurai

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