

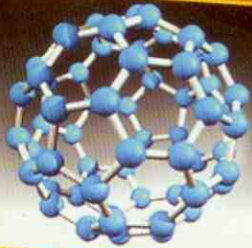


सत्यमेव जयते

MSME-DI, Hyderabad

MSME
MICRO, SMALL & MEDIUM ENTERPRISES
सूक्ष्म लघु एवं मध्यम उद्यम

Micro and Small Enterprises Cluster Development Programme (MSE-CDP)



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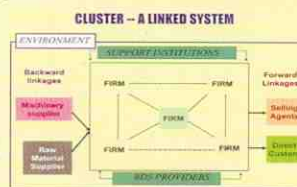
Worldwide, the micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country.

The Govt. of India for fostering the development of MSE Sector has adopted Cluster Development mode for contributing to the competitiveness and collective efficiency of MSEs. The advantages of the Cluster Development approach have been successfully demonstrated in several countries including India. The Ministry of MSME, Govt. of India is operating 2 schemes viz., Micro & Small Enterprises Cluster Development Programme (MSE-CDP) and Scheme of Fund for regeneration of Traditional Industries (SFURTI) for contributing to the growth, competitive ability and collective efficiency of MSE Sector and Village and Coir Industries, respectively. The Ministry of MSME as of now has undertaken developmental interventions in 457 clusters spread across the Country in 28 States under the MSE-CDP. MSME-DIs (field Organisations of Ministry of MSME), State Govts. and their autonomous bodies, resource agencies, industry associations, reputed technical institutions, etc. have either implemented or implementing developmental interventions in these clusters.

Definition of a Cluster:- A Cluster is defined as Sectoral and Geographical concentration of Micro, Small & Medium Enterprises with interconnected production system leading to firm/unit level specialisation and developing local suppliers of material inputs and human resources. Common opportunities and threats and availability of a local

market/inter-mediaries for the produce of the cluster are also main characteristics of a cluster. Thus a cluster comprises of the principal firms producing the main product, firms in the backward linkage supplying the raw-material and other inputs, firms in the forward linkage providing marketing/distribution channels for the cluster's products, business development service (BDS) providers

and support institutions including R&D institutions, Govt. bodies, academic institutions and financial institutions.



Main Problem affecting the Clusters:-

It has been observed worldwide, that the main problem affecting the cluster enterprises is " Their working in relative isolation rather than the size of the MSEs". This working in isolation affects the clusters by way of lack of collective bargaining power, lack of easy access to inputs and services, lack of collective efficiency, inadequate common infrastructure and non-availability/inadequacy on BDS providers.

Cluster Development Process:-

Cluster Development Process comprises the following main steps:

- ◆ Selection of Cluster(s)
- ◆ Deployment of Cluster Development Executives
- ◆ Trust & Capacity Building
- ◆ Diagnostic Study
- ◆ Preparation of Action Plan
- ◆ Approval of Budget and Leveraging
- ◆ Monitoring and Evaluation of funds from various institutions
- ◆ Implementation of the Action Plan
- ◆ Handover and exist
- ◆ Self-management phase

CLUSTER DEVELOPMENT INITIATIVES OF MSME-DI IN ANDHRA PRADESH

MSME-DI, Hyderabad is in the forefront in coordinating cluster development initiatives by various agencies in A.P. The Institute is providing technical advisory services, handholding and monitoring services and training Cluster Development Executives. 27 clusters in A P so far have been assisted in under MSE-CDP. MSME-DI works in close coordination with the Govt. of A.P. and implementing agencies and monitors the progress of the clusters from time to time.

MODIFIED GUIDELINES OF MICRO AND SMALL ENTERPRISES CLUSTER DEVELOPMENT PROGRAMME (MSE-CDP)

Objectives of the Scheme:

- i. To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
- ii. To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.
- iii. To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs.
- iv. To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

The activities admissible under the scheme are:

(i) **Diagnostic Study Reports (DSR):** To map the business processes in the cluster and propose remedial measures, with a validated action plan.

(ii) **Soft Interventions:** Technical assistance, capacity building, exposure visits, market development, trust building, etc for the cluster units.

(iii) **Detailed Project Report (DPR):** To prepare a technical feasible and financially viable project report for setting up of a common facility center for cluster of MSE units and/or infrastructure development project for new industrial estate/ area or for upgradation of infrastructure in existing industrial estate/ area/ cluster.

(iv) **Hard Intervention/Common Facility Centers (CFCs):** Creation of tangible "assets" like Testing Facility, Design Centre, Production Centre, Effluent Treatment Plant, Training Centre, R&D Centre, Raw Material Bank/Sales Depot, Product Display Centre, Information Centre, any other need based facility.

(v) **Infrastructure Development:** Development of land, provision of water supply, drainage, Power distribution, non-conventional sources of Energy for common captive use, construction of roads, common facilities such as First Aid Centre, Canteen, other need based infrastructural facilities in new industrial (multi-product) areas/estates or existing industrial areas/ estates/ clusters.

DIAGNOSTIC STUDY REPORT

Govt. of India grant of maximum Rs 2.50 lakh will be provided for preparation of DSR for one cluster. The cost includes the expenses towards visits to cluster, compilation of data, validation of action plan, hiring of consultant, special studies (if reqd), printing & stationery, etc. DSR for one cluster should be prepared within a period of 3 months.

SOFT INTERVENTIONS:

Soft activities under the programme would consist of activities which lead to creation of general awareness, counseling, motivation and trust building, exposure visits, market development including exports, participation in seminars, workshops and training programmes on technology upgradation, etc. These interventions bring about general attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster. It is necessary to prepare a Diagnostic Study Report (DSR) including validated action plan, performance indicators / milestones to evaluate the project, before undertaking Soft Interventions. Activities are undertaken as per approved action plan included in DSR.

Maximum limit for project cost would be Rs 25.00 lakh per cluster. Govt grant for the soft interventions will be 75% of the sanctioned amount of the project cost. For NE & Hill States, Clusters with more than 50% (a) micro/ village (b) women owned (c) SC/ST units, the Govt grant will be 90%. The cost of project will be moderated as per size/turnover of the cluster.

The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of Soft Interventions. State Government/ other stakeholders contribution will be considered as gap funding. The duration of soft interventions will be maximum 18 months, unless extended with the approval of Steering Committee.

DETAILED PROJECT REPORT (DPR):

Govt. of India grant of maximum Rs 5.00 lakh will be provided for preparation of a technically feasible and

financially viable project report for setting up of a Common Facility Center (CFC) for cluster of MSE units and/or infrastructure development project for new industrial estate/ area or for upgradation of existing infrastructure in existing industrial estate/ area/cluster.

HARD INTERVENTIONS (SETTING UP OF CFCs):

Hard Interventions under the programme will consist of creation of tangible "assets" as Common Facility Centers (CFCs) like Common Production / Processing Centre (for balancing / correcting / improving production line that cannot be undertaken by individual units), Design Centres, Testing Facilities, Training Centre, R&D Centres, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc.

The Govt. of India grant will be restricted to 70% of the cost of project of maximum Rs 15.00 crore. Govt grant will be 90% for CFCs in NE & Hill States, Clusters with more than 50% (a) micro/ village (b) women owned (c) SC/ST units. The cost of project includes cost of Land (subject to max. of 25% of Project Cost), building, pre-operative expenses, preliminary expenses, machinery & equipment, miscellaneous fixed assets, support infrastructure such as water supply, electricity and margin money for working capital.

The entire cost of land and building for CFC shall be met by SPV/State Government concerned. In case existing land and building is provided by stakeholders, the cost of land and building will be decided on the basis of valuation report prepared by an approved agency of Central/State Govt. Departments/FIs/Public Sector Banks. Cost of land and building may be taken towards contribution for the project. CFC can be set up in leased premises. However, the lease should be legally tenable and for a fairly long duration (say 15 years).

It is necessary to form an SPV prior to setting up of and running the proposed CFC. An SPV is a clear legal entity (Cooperative Society, Registered Society, Trust or a Company) with evidence of prior experience of positive collaboration among its members.

There should be a minimum of 20 MSE cluster units serving as members of the Special Purpose Vehicle (SPV). There is no ceiling on the maximum number of members. In special cases, where considerations of investments, technology or small size of the cluster

warrant lesser number of units, a minimum of 10 MSE units may be considered for the SPV.

The share of the cluster beneficiaries should be as high as possible but not less than 10 per cent of the total cost of CFC. State Government contribution will be considered as gap funding. All the participating units should be independent in terms of their financial stakes and management. No single unit will hold more than 10 per cent in the equity capital (or equivalent capital contribution) of the SPV.

The CFC with cost higher than Rs 15.00 crore may also be considered under MSE-CDP. However, the Govt grant will be calculated with project cost ceiling of Rs 15.00 crore.

Proposals for DSR, DPR and Soft Interventions will be approved in one stage only.

Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-principle approval and final approval.

INFRASTRUCTURE DEVELOPMENT:

Infrastructure Development projects under the scheme will consist of projects for infrastructural facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets, common service facilities and technological backup services for MSEs in the new/ existing industrial estates/areas.

The Govt grant will be restricted to 60% of the cost of project of Rs 10.00 crore. Govt grant will be 80% for projects in NE & Hill States, industrial areas/ estates with more than 50% (a) micro (b) women owned (c) SC/ST units. For existing clusters, upgradation proposals will be based on actual requirements.

The State/UT Governments will provide suitable land for the Projects in estimated cost to set up a project under Infrastructure Development projects of Rs.10.00 crore (excluding cost of land). Central Government will provide grant-in-aid. The remaining amount may be loan from SIDBI/Banks/Financial Institutions or equity from State/UT Government. The State/UT Governments will meet the cost in excess of Rs.10.00 crore or any escalation in cost. The project should be completed within two years from the date of final approval, unless extended with the approval of Steering Committee.

FRP CLUSTER, HYDERABAD

FRP Cluster, Hyderabad has been identified and selected by MSME-DI, Hyderabad as a potential cluster for intensive development interventions. The cluster association is Fibreglass Industries Association of Andhra Pradesh (FIAAP), Hyderabad. The scope of the cluster development initiatives is to enhance the competitiveness of the cluster through common infrastructure development by setting up of common facility centres (CFC), technology upgradation, introduction of various business development service providers, modernization, quality upgradation etc. Implementation of Soft Interventions in the Cluster commenced during the year 2008-09 and continued during 2009-10.

CLUSTER PROFILE:

- ◆ Geographic Location : Jeedimetla, Balanagar and Cherlapally Industrial Estates and other areas of Hyderabad
- ◆ No. of MSEs: 100 Nos
- ◆ Turnover : 100 crores per annum (2005-06)
- ◆ Employment : 5,000 (Direct), 10,000 (Indirect)
- ◆ Primary Production : FRP Products, FRP Machinery, Resin Manufacturers, Mould Makers etc
- ◆ Product Range : FRP Roofing Sheets, Chemical Process Equipments, Linings, Laminates, Furniture, Doors, Air Cooler Bodies, Axial Flow Fans, Ladders and a host of other products.

VISION:

The FRP Cluster, Hyderabad would achieve product based technological excellence by way of process mechanization, product diversification, technology adoption, establishing common facility & training centre and would export high-tech and regular products by the year 2012

ISSUES OF CONCERN:

- ◆ Trust Building and team building
- ◆ Financial support
- ◆ Technology upgradation
- ◆ Skill Development
- ◆ Common facility centres
- ◆ World class manufacturing practices
- ◆ Advertisement and publicity
- ◆ Creation of brand image
- ◆ Improving competitiveness
- ◆ Modern management practices
- ◆ Marketing capabilities

MAJOR SOFT INTERVENTIONS DURING 2008-09:

- ◆ 18 members of FRP Cluster, Hyderabad visited International Trade Fair, JEC-Show Composite Asia-2008 at Singapore held during 22-24 October 2008
- ◆ International Conference on Recent Advances in Composites & its Application (RACMA-2009) organized during 6-7 March 2009 at Hotel Taj Deccan, Hyderabad
- ◆ Exposure visit of five members of the cluster & CDE to Wet Grinder Cluster, Coimbatore and Netaji Apparel Park and Tirupur Exporters' Association, Tirupur
- ◆ Organised 3 Nos Awareness Programmes at Hyderabad
- ◆ 42 cluster members visited OCV Reinforcement plant at Thimmapur on 25-09-08
- ◆ Seminar on World Class Composites held on 26-07-08 at Secunderabad
- ◆ Seminar on Composites for Aerospace applications held on 20-09-08 at IAE, Dundigal, near Hyderabad
- ◆ Workshop on Pultrusion Technology & its Applications held on 03-10-08

MAJOR SOFT INTERVENTIONS DURING 2009-10:

- ◆ Exposure visit of cluster Actors (5 Nos) and CDE to Composite Design Centre & National Aeronautical Laboratory Bangalore during 11-12 November 2009
- ◆ Review Meeting of Secretary (Inds. & Commerce), Govt. of A.P for all clusters in A.P including FRP Cluster, Hyderabad on 26-11-09
- ◆ Exposure visit of cluster Actors (5 Nos) and CDE to Composite Application Laboratory & Testing Centre at Indian Institute of Technology (IIT) on 16th-17th December 2009
- ◆ Organised Seminar on Composites for Chemical Application on 08-12-10 at Hyderabad. 20 members participated.
- ◆ Six FRP Cluster members & CDE visited SAMPE ASIA-2010 Expo, Kuala Lumpur, Malaysia during 19th-21st January 2010
- ◆ National Conference on Recent Advances in Composites (NCRAC-2010) organized during 12th-13th March 2010 at Hotel Taj Deccan, Hyderabad.



FAN CLUSTER, HYDERABAD

Fan Cluster, Hyderabad is well known for production of Ceiling Fans in India. The Cluster products are being marketed throughout the Country and are also exported to various Countries viz., Srilanka, Gulf Countries, South African Countries, Europe etc. The cluster located in and around Balanagar, Hyderabad in about 6 Kms. Radius; comprises of 300 Nos. of Fan manufacturers and 300 Nos. of Components suppliers. The cluster had a turnover of Rs.200 crores (2003-04) and provides direct employment to 10,000 persons.

The major problems affecting the clusters were lack of representative industry association, lack of R&D, price sensitive customer base affecting quality of the products, dependence on middlemen for exports, lack of testing and R&D facilities, weak linkages with support institutions, in-adequacy/lack of BDS providers, etc.

The MSME-DI, Hyderabad undertook developmental interventions in the cluster over a 3 year period, during 2004-07. The thrust areas of the interventions were formation and strengthening of a representative association of the cluster, export marketing, setting up of business information centre, participation in trade fairs, dealer meets at Dubai and Singapore for exports, linkages with financial institutions, design development, consortia for marketing and common purchases and website for the cluster.. These interventions have given the following major results:

- ◆ Fan and Fan Components Manufacturers Welfare Association was formed. The association members have regular interactions and are running a sub-contract exchange-cum-business information centre.
- ◆ 18 Members of the cluster visited Dubai and Colombo for export orders and organized dealer meets. On the spot orders worth Rs.3 crores were received.

- ◆ 3 Marketing consortia were formed. Units have participated in trade fair at Hyderabad generating business worth Rs.10 lakhs.
- ◆ A common website:www.hyderabadfans.com was launched
- ◆ A new model fan of four blades was got designed by an expert of SES of Germany. The blades were aerodynamically designed which reduced the weight of the blades by 48% resulting in overall cost reduction of the fan by 3%.
- ◆ 25 units got ISO 9000-2000 certification and 4 units products have been certified under ISI by BIS.
- ◆ Business Development Service (BDS) providers were introduced in areas like export marketing, technology up gradation and aesthetic design of fan.
- ◆ A soft network of 6 members was formed to procure raw material in bulk through NSIC resulting in a saving of Rs. 6 lakhs by the 6 units by way of common purchase.
- ◆ Linkages have been established with SIDBI, Andhra Bank, SBI, SBH, Canara Bank and Indus Ind Bank who have provided either term loan or working capital finance.
- ◆ A representation was submitted to Govt. of AP by the cluster Association for allotment of 100 acres of land to establish a fan park with state of art infrastructure with an estimated investment of Rs.200 Crores by the Fan Cluster units.
- ◆ The Fan and Fan Components Manufacturers Association is pursuing to establish a Common Facility Centre (CFC) in the cluster.



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