

Industrial View

First and only platform for MSMEs

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Technology in Banking

The Next Frontier

AP lacks good
SSI policy

FUTURE
UEL

Banking sector
to succour
wilting SMEs

UPA feeds elephants
& starves rabbits

AP transforming into a mecca of business



(L to R) Shankarachary, Cherlapally, ILA executive member and FSME-AP advisor, G Prasad Kumar, minister for HTLSSI, APK Reddy, President, FSME-AP and editor, Industrial View, N Kiran Kumar Reddy, CM, AP, Sudheer Reddy, Secretary, ILA, Cherlapally and M V Rajeshwar Rao, CEO, CREDAI at the launch of the magazine at CM's chamber



APK Reddy, President, Federation of Small and Medium Entrepreneurs (FSME- AP), submitting a memorandum to BJP national general secretar, M Muralidhara Rao on the occasion of latter's interactive session with the members of FSME- AP in Hyderabad.

rajamyndar reddy



FSME-AP

Launch of Industrial View

Chief Minister N Kiran Kumar Reddy launched Industrial View on 22 June, 2013. The CM handed over the first copy of the inaugural issue to MSME minister G Prasad Kumar.

Speaking on the occasion, the chief minister said, "A magazine for the MSME sector is a welcome development and the need of the hour."

M V Rajeshwara Rao, Former Secretary General FAPCCI and advisor to FSME-AP, Sudeer Reddy, Secretary, Cherlapally Industrial Local Authority, Sankarachary, Cherlapally, ILA executive member and FSME-AP advisor were also present on the occasion.

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The jurisdiction of court cases pertaining to the items published in Industrial View will only be Hyderabad (the place of its publication). Cases of other jurisdictions will not be entertained.

- Editor

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APK Reddy

Industrial View

First and only platform for MSMEs

UPA feeds elephants & starves rabbits

The original Gujarati edition of 'Hind Swaraj' of Mahatma Gandhi was banned in India by the ruling British in 1910; but the English translation of the same was not banned. The logic was simple: the rulers knew well that the English 'Hind Swaraj' might have little impact on the English-speaking Indians' servitude to the British ideas. In Hind Swaraj, Mahatma advocated for Swadeshi (self-reliance); accordingly Indians should refuse all trade and dealings with the British. Thus the British, who were worried of the radical thoughts of Gandhiji, banned the Gujarati edition to prevent the ideas from spreading among the majority public.

Sharing the same logic with the British, the rulers of present UPA

2 are also worrying on growing popularity of BJP, particularly of Narendra Modi, who is advocating and implementing Gandhiji's Swadeshi model.

BJP, as a policy, is strongly backing the revival of regional banking and the reinvigoration of SME lending and Gandhiji Hind Swaraj model is often quoted by the party to help SMEs. In contrast to this broad-based organic process, UPA encouraging corporates.

In his tête-à-tête with this current edition Industrial View, BJP National General Secretary, M Muralidhar Rao also shared our view on UPA's criminal negligence on indigenous industry of modest investments. UPA, in its nine and a half-year rule, has been focusing too much on big business, cor-

porate players, but absolutely neglected small to medium enterprises.

It is not at all repetition, but an emphasis to say that SMEs have been the backbone of the Indian economy. Being the dominant national business employer, SMEs engage close to 40 per cent of India's workforce and contribute 45 per cent to India's manufacturing output. They play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40 per cent of India's total exports. But, UPA, which has been rolling red carpet to the Corporates and MNCs with provision of number of industrial parks, showed no interest to create business parks, common technology platforms or pooled energy sources

for SMEs. Even it is not keeping its promise of allocating 20 per cent of space of Industrial parks to SMEs. As a matter of fact, SMEs could employ 24 persons for an annual budget of Rs. One crore, with which not more than 4 persons are engaged in corporate set up.

According to economists, national financial integration can best be assessed through the share of the SME sector in national credit. But, it has never been robust in India under UPA rule, as SME credit is consistently in downfall. Sharply increasing inequality in financial access, between the big and the small business sectors, and in between national regions, closes the prospect of upward income mobility for large sections of the population - presaging social polarisation and its political consequences. In Andhra Pradesh, particularly owing to the political uncertainty amid the divisional politics, the situation is further deteriorating.

When the banking is concerned, it is highly concentrated in India. Over 70% of banking assets are held in a few banks in the top notch. This concentration does little for deepening the national economic base. For more than a century, the progressing countries across the globe passed through their developmental phase with a strong inclusion of SMEs and it is inherent in the distribution of finance.

The fundamental objective was to ensure that local savings served community interests by supporting local enterprise. In addition, the states themselves took initiatives to reinforce SME develop-

ment. Most state-awarded contracts required that SMEs be given a significant percentage of the value of the work. The states also invested directly into SMEs, and provided debt guarantees on their behalf.

But, here in India, the situation is chaotically different, as SMEs are always at the receiving end, as share of the SMEs in total bank credit is gradually declining. Kick-starting our faltering engine will require various forms of government interventions. Credit is only one part: equally, what is needed is building SME capacity through provision of common overheads.

Now, owing to the deteriorated situation and other nagging problems, the SMEs are on the brink of collapse and it will hit 40 lakh more families in Andhra Pradesh severely.

The present Chief Minister, N Kiran Kumar Reddy wrote to RBI asking the banks to take up rehabilitation of sick or potentially sick units. He assured that the State government provide reliefs relating to power, sales tax dues, interest subsidy and others to the sick units, if banks come forward in the rescue of sick units. However, RBI did not oblige, stating that the policy matters have national perspective and they could not be altered for the interests of

any separate State.

Even the banks are not acting according to the rule books; actually, there should be no need for a collateral security for loans upto Rs one crore, but banks are insisting upon collateral security even to meagre amounts. Interest rates of banks have been high, which is demoralising the entrepreneurs.

Rubbing salt to the wounds, AP Transco is penalizing them with its unilateral decisions on power consumption. AP Transco is restricting the SMEs to use only 60 per cent of the power sanctioned. If the power usage goes over the slab, it is lashing heavy penalties, over five times of the standard charges, on the entrepreneurs. So, many SMEs are falling prey to financial problems arising merely out of power cuts. Now, owing to the deteriorated situation and other nagging problems, the SMEs are on the brink of collapse and it will hit 40 lakh more families in Andhra Pradesh severely.

Thanks to the vote-bank policies of the rulers, we are in the situation where a particular part of the economy is being attacked because of the financial indiscipline, which is created in a community by waiving off loans of gigantic proportions. Here I would like to quote from the famous speech of Fransisco d'Anconia in Ayn Rand's 'Atlas Shrugged' - Money is made--before it can be looted or mooched--made by the effort of every honest man, each to the extent of his ability. An honest man is one who knows that he can't consume more than he has produced. SMEs in Andhra Pradesh are superior to the honest men, as they produce more than they consume. ■

Small and Medium Scale Entrepreneurs in Modern India are going through a toughest ever phase in the history of recent times. All this is attributed to lopsided policies of the State and Central governments, bankers, power generation and distribution companies. The industrial development during the last nine years in India and in Andhra Pradesh in particular has not been up to the mark with a good number of industries getting converted into NPAs, adversely affecting the lives of lakhs of entrepreneurs/employees.

State lacks good SSI policy: Muralidhar Rao

BJP leader sees a ray of hope for SMSEs



BJP National General Secretary, M Muralidhar Rao sharing his views with Editor, Industrial View, APK Reddy

However with the political scenario set to undergo dramatic changes with the resurgent Bharatiya Janata Party emerging as the key player, changes in every sphere of development is bound witness metamorphosis, come 2014 General Elections.

Brushing aside his busy schedule, suave and soft-spoken National BJP General Secretary, M Muralidhar Rao shared his views and keen observations with 'Industrial View' keeping national and state perspective in view.

Here are some excerpts from the interview:

This is the worst-ever phase for the Indian industries. How do you and your party look into this issue?

Yes, in modern India we have not seen such bad situation for industries. Here the question related to the existence of small industry, which is undoubtedly backbone of India economy after agriculture.

Under the UPA rule, the focus is not been on this sector. There is no encouragement for the domestic investors.

Surprisingly, they have been entertaining investments from foreign countries. These Foreign Direct Investments had occupied the centre stage. The so-called reforms ushered in by the UPA government centre on foreign investments, foreign technology and facilitations for the foreign companies.

The recently held WTO meeting at Bali, Indonesia also discussed many issues based on Foreign Trade Facilitations (Technology, Industry and Import).

Literally, this sector has been

neglected for the last nine and half years under the Congress rule.

Do you think this is the only problem for the present situation of industries?

No, we have to respect the rules of WTO, but don't neglect the Indian investors and Indian entrepreneurs. Here you can give sops to boost this sector. Provide the basic needs of SMEs and help them to improve the imports.

That will help the industry and the Indian economy as well.

The backbone has become neglected. That resulted in the industrial sickness or NPA. SMEs are the major employment generators. According to the 66th round of national survey, there is a large scope for SMEs to generate more employment but due to unsupportive system they have been thrown into a shambles..

The most important thing is, SMEs provide employment in rural areas and towns. As per recent survey, two-and-half crore self-employed entrepreneurs are on roads for the past 10

years.

India is always the country of entrepreneurs. We had occupied Number One position at the global level. Millions of entrepreneurs were running the economy of the nations.

But the situation has changed; the government forgot the basic principles of the economy to give importance to Indian industries.

Literally, the public money and the personal money are being squandered. When small scale industry becomes sick and liable, the whole economy will register a slump.

This is the situation we have today.

What is required to revive the ailing industrial sector?

Small industry grows when it has sound infrastructure. It does not generate power and if there is no power the industry goes waste. There are no optimum conditions. It leads to the industry to become idle.

We have cold storages but no power supply.



If there is no road connectivity how the SSI will grow. The growth was stopped because of lack of proper infrastructure. And invariably, SSI had become a casualty.

You have converted it (infrastructure) into high-cost economy by raising the interest rates. Hence, the competitive spirit will diminish.

High cost credit is creating a defensive condition for the SSI. It leads to the non-level playing field for both import and exports. MNC works in India and consequently, they are getting loans from some other country.

The interest rates in their country are obviously low when compared to India. They are accepting loans from global market. Global companies will get loans at less interest rate. Obviously they sell goods for lesser amounts.

The system without equilibrium competition will never support the system.

The SMEs cater to the local market needs and the local market infrastructure is being used as the basic logic behind Indian industries. The United Progressive Alliance is against this as they are completely pro -corporate ignoring small scale industries.

They are allotting lands to corporate companies and giving incentives to them.

Their fundamental framework is to be corporate-friendly and not showing interest in saving small industrial clusters and industrial estates.

Are the industries all over India facing the same situation?

Here we have to observe two things. Industrial policies set by the Central Government. They give all



BJP National General Secretary, M Muralidhar Rao addressing an interaction session with Small and Medium Entrepreneurs of AP.

incentives, loans and other benefits as being decided by Union government.

National level financial system is under implementation.

States have to follow the guidelines of Central government.

But only what the state governments can do is. they can allot lands, decide the power incentives/power tariffs and small benefits from their side.

For example, Gujarat has its own power generating system. That is the reason the industries of Gujarat are being supplied with sufficient power and the production is as expected. Industrialists of this state are quite happy.

And other BJP- ruled states are giving good power tariffs and uninterrupted power supply to industries.

Non-Congress ruling governments are working bit more on industries apart from acquiring Central govt aid. But, the situation in Congress-ruled States is totally different.

Neither they pressurise Central government nor they provide helping hand to this sector. Gujarat is providing basic infrastructure and road connectivity to SSIs. They have been creating new clusters and industrial estates.

Non-Congress ruling governments have been working with limited resources .

It is highly impossible to transcend all the barriers which are being put forth by the Central government

What is your party's vision on India-China trade relations?

It is one among the problems being faced by the nation. The trade deficit with China is 40 million dollars as on date. The difference between the imports and exports with China is in the favour of China.

That means we have been importing more from China but exporting a little to the Communist country. This is nothing but we are exporting employment to China.

Indian government supports

China as per its laid-out their policies. We have been losing due to the imports from China power sector. Power supply inputs, mobile batteries, toys, Ganesha statues, electrical, electronic, computer peripherals... etc are being imported from China.

Basically, India has good business skill. But the long-term plans were not been implemented by UPA govt.

Except Hyderabad no SSI cluster is in Telangana region. Many parts of the Andhra region also don't have clusters. This is attributed to lack of good SSI policy by the government of Andhra Pradesh..

Research laboratories like ECIL, IDBL and other public sector undertakings are in Hyderabad. Based on this some associated sectors are surviving.

I am very much sure that only SMEs can boost the Indian economy – there is no doubt. For that matter, no industry can go on its own but they have to be given importance and priority. SSIs and micro industries are being grown from forefathers. If we give importance to them it will definitely help in generating more and more employment.

Modern India also had the scope of cost-based industries like toys, saree weavers. But, now it is in a sorry state.

At Centre, and in Andhra Pradesh the governments are not ready to provide skill development training institutes. Vocational engineering colleges should work on par with professional engineering colleges. Then only the skill required for the SSIs will be developed and can yield good results.

Do you hold banks' responsible for this situation?

Banks have to follow the guidelines given by RBI in the revival and rehabilitation of sick industries, but they are not following the rules.

Bank managers are not taking risk. They are not giving importance to the needy and deserving. Targetted section is being humiliated even by the bankers. And even retail marketeers are shelling out five per cent interest on day-by-day basis to micro finance system for their existence.

Narendra Modi is the only alternate for the development in India. NDA has many times questioned UPA's irrational rules and policies that led to skewed development of the industry in the country.

The banking system for the retail market has not been systemized in India till today.

Loan without collateral security is only to paper but not put to implementation.

Walmart is being given loans at low interests but the retail entrepreneurs here cough up high rate of interest.

High expectations are on Narendra Modi from industrial sector. How do you assure the industries?

Yes, there are high expectations from Narendra Modi. Because, he

has a proven track record of good governance and industrial and development aspect as well.

Narendra Modi is the only alternate for the development in India. NDA has many times questioned UPA's irrational rules and policies that led to skewed development of the industry in the country.

We are desperate to re-write the Indian glorious history as the revival of industries is the only alternative, we believe.

For that, National industrial policy should be conceived and implemented in right and earnest manner.

Though there are WTO conditions in foreign trade business, we have to work for the development of Indian traditional industries.

We will include all these problems into our Manifesto during the ensuing elections and will accord top priority for revival of industries.

Andhra Pradesh industries have special problems; BJP will specially address the problems and try to solve the problems after coming into power.

It is not the problem of two regions. It is the problem of 'Telugu Jaati'

We are planning for a special study on the issues concerning AP industries,

Industrial clusters, new clusters' re-organizations, creation and make sincere attempt to solve the problems at any cost.

We will try to remove the national industrial imbalances.

NDA plans and created system helped UPA-I to serve India better but that is no way related to the greatness of the Congress. ■



Gujarat Ministry of State, Energy & Petrochemicals, Saurabh Bhai Patel addressing the State level convention on power crisis in AP.

CHAMPIONING THE CAUSE OF INDUSTRY

With the major political party, Bharathiya Janata Party (BJP) emerging as a powerful force to reckon with in Indian politics, all eyes are riveted towards the saffron party, which is posing a seri-

ous threat to monolith party like Congress. In the initial days, BJP was looked upon as a baniya party trying to protect the traders and businessmen. But over the years, the party underwent transformation, shedding its inhibitions to-

wards modernization of industry. For it, modernization doesn't mean at the cost of domestic industry for use of indigenous resources. And also it is averse to toe the line of encouraging the heavy industry by giving a raw



deal to the small and medium industry. Back in State, BJP has been actively participating in the programmes launched by MSME sector while highlighting their problems effectively across the State. Particularly when the State was afflicted by power crunch, BJP solidly stood behind the small and medium industry, by taking part in various protest programmes organized at every length and breadth of the State. For a change, its State leaders brushed aside political issues and expressed solidarity with the suffering industries, which were on the verge of closure following the severe power shortage in the State. It is to be recalled while at the national- level, BJP top leader Muralidhar Rao vowed to breathe new lease of life into the



State BJP president G. Kishan Reddy



Senior BJP leader Bandaru Dattatreya (middle) taking part in relay hunger strike camp, organized by JAC. APK Reddy (left to Dattatreya) also seen in the camp

ailing MSME sector, down in Andhra Pradesh his counterparts are not leaving any stone unturned to effectively champion the cause of MSME sector. When a round table conference on power crisis in the State was organized, Gujarat Power Minister Saurabhai Patel participated and made a impressive presentation on the

power scenario in Gujarat. State BJP leaders like Bandaru Dattatreya, Dr K Laxman, Meesala Chandraiah of Cherlapally Industrial Development Area were forefront in taking up the cause of MSME sector. As is known, several small and medium industries in the State have turned NPAs due to crippling blow

dealt by the power problem. Though the government of the day assured that measures will be taken to protect the MSME sector, still several industries are languishing in a shambles, rendering thousands of persons jobless. Many a time the government assures of providing financial package to the MSME industry. But in reality, such assurances are on paper only. The amount of Rs 1300 crores to be given in 2011 to salvage the MSME sector is still to be given. The step-motherly treatment given to the MSME sector is causing a grave concern among the small and medium industries, which are already caught in the death-trap. As an annual ritual during the budget time, the governments at the Centre and State make a big announcement of providing financial package and other measures to boost the MSME sector. But in vain. The



APK Reddy addressing a meeting where the State and National leaders of BJP are on the dais.

major handicap that is hindering the growth of MSME sector is lack of lobby at the Centre. While every field of development enjoys the patronage and protection of political masters, poor MSME sector is shorn of any sort of lobby both at the Centre and State. For instance, there is a powerful sugar lobby at the Centre to take care of the sugar barons' and farmers' interests. Union Agriculture Minister

Sharad Pawar played a key role in getting sanction of Rs.72,00 crores interest-free term loans for sugar industries. But unfortunately, there is nobody to pitch for MSME sector cause. Loans are announced but are not given. Measures are spelt out in a grandiose manner, but are not implemented. It is high time for the governments both at the Centre and State to come out of the shell and take a pragmatic approach. ■



APK Reddy, President, FSME, submitting a memorandum to senior BJP leader M Venkaiah Naidu, as BJP State President Kisahn Reddy looks on



M Chandraiah, Vice President, Nacharam Industrial area workers union and also Cyberabad zonal president of BJ, along with senior BJP leader, Dr Laxman



Banking sector to s wilting SMEs of A



SUCCESS
AP!

Industrial View Bureau

The MSMEs are like the Cinderella- caught between government's namesake patronage and the indifference of the industries department. Industry, whether it is micro, small, medium, tiny or cottage, always toils with similar problems. Before the mighty and multi-national coveted bodies, the SMEs look like an unwanted crowd to the government at large.

Except a few governments like Uttara Khand, Himachal Pradesh, no one heeds to the SMEs, when they are in need of money, energy, purchase patronage, tax concerns, tax holidays and all other relevant activities. The problems faced by the industrialists of this categories start from day one and they are perennial and eternal, with no solution.

SME sector in Andhra Pradesh is waning due to slowdown in the market. Also, the production in many units has taken a hit due to the power shortage last year, due to which many units have reduced their manpower. According to ground realities, the industrial development in AP has been witnessing a downward trend and declined from 7.7 % during 2011-12 to 0.73 % during 2012-13. It was not only the registered manufacturing sector, but also unregistered manufacturing sector recorded negative growth. In registered sector, a steep decline from 9 per cent to a negative growth of 4.2 per cent, was evident.

Severe power crisis faced by the industrial sector for more than 36 months coupled with high input costs, inflation, high interest rates, delay in implementation of projects and the global economic slowdown are the primary causes for the marginal performance of the industrial sector. The steep fall in rupee value too added to the woes.

The micro, small and medium enterprises are worse affected. The prolonged power crisis, hike in tariff rates, imposition of FSA with retrospective effect from 2010-11 caused irrecoverable financial loss to SMEs. The operational costs of SMEs have increased. Fall in production with just 12 productive days in any month, and the obvious decline in orders made majority of SME accounts into NPAs. Most of these units have turned into either sick or incipient sick units.

After setting up industries, AP Transco is pressurizing the companies to use only 60 per cent of the power sanctioned. In addition, if the power usage goes over the slab, AP Transco is penalizing the units by over five times of the standard charges.

RBI reports show that 72 units had been turning sick every day. The reports further said that the total number of sick units in Andhra Pradesh at the end of June 2013 quarter was 19,481, with an outstanding credit of Rs 1256.56 crore as against 12,982 sick units with outstanding amount of Rs 833.16 crore as of March 2013 – 50 per cent increase in number of sick units in a span of 90 days. The total non-performing assets (NPAs) in the MSME sector which stood at Rs 2,589 crore in March 2013, rose to Rs 3,025 crore in June 2013, recording an increase of 16.84 per cent, as per RBI data.

SMEs face challenges as the customers demand a 90-day credit, whereas their suppliers provides credit for 30 days. Hence, the cost of working capital is very high. The incentives provided to the industries should be given directly reducing the procedural delays. A total of Rs. 1300 crore of incentive amount is blocked with the government.

In fact, at the other end, there are more than 70 stringent enactments at central and state government level and at the local self-government level. Some of the enactments could empower the labour inspector, or a health inspector, or even a police constable to arrest the MD of

starting an industry of any category is at its imperious peak. Usually, an industrialist acquires the tools of production very easily, but not to run them to producing. Banks are the major offenders, because the working capital provision is not completed with the capital finance and equipment. The unqualified field officers with no in-depth knowledge of running a business or an industry, come as inspecting officers almost to kill the enthusiasm of the entrepreneurs. There is no remedy for these type of problems.

While the documentary credit given by the banks appears apparently as a cushion, but in reality it



time base. The flowcharts like cash flowchart, business flowchart, demand flowchart, profitability flowchart, should have a 60-month assessment with necessary checks and balances. A child birth takes 9 months in a mother's womb; but, the banks prepare to dispatch an industry to the tomb on 90th day. It is very uncalled for to declare the customer asset as NPA within three months duration. NPA declaration should be made from the 9th month of any default, but not 90th day. Once a bank declares an asset of a customer as NPA, the customer loses his market credibility and even the private borrowing becomes difficult.

Now, the philosophy of Indian banking, with the advent of private players, turns pro-mighty, in a resemblance to the adage that feeding the elephant and starving the rabbit. Some egalitarian views to fill the needs and the demands of the sector should be originated at government level and also at the bank level to deeply search into the failure mechanism and convert the same into a success saga. Towards that goal let us all awake! ■



Severe power crisis faced by the industrial sector for more than 36 months coupled with high input costs, inflation, high interest rates, delay in implementation of projects and the global economic slowdown are the primary causes for the marginal performance of the industrial sector. The steep fall in rupee value too added to the woes.

an industry on even flimsy grounds. Rather this gives the governments an undue advantage on the employers, on the entrepreneurs and the other entities.

But, the level of corruption normally a business man faces while

has negative impact. While a need based banking is necessary nowadays, the banks' whimsical approach does away with the needs. In the process of appraising the loan of an applicant, the banks must appraise the application for 60- month

Let the leader be proactive!

Andhra Bank, being convener of SLBC, should set an example to the other member-banks while coming in rescue of the SME units with special packages on a case to case basis to make them viable.

Strangely, the bankers were insisting on collateral security though it was not mandatory for loans upto Rs.1 crore for the SMEs. There were instances wherein the banks demanded a security for a meagre loan of Rs.1 lakh as well. The bankers should sanction loans

to entrepreneurs as the Central Government would repay the loan if the beneficiary did not repay it.

It is really interesting to know the story of Andhra Bank, which is one of the most inspiring stories in the banking history of India. When the organized banking of India was in the hands of the British and other foreigners, the patriots like Sri Bhogaraju Pattabhi Seetharamayya, envisioned India of Swadesi Banking and Swadesi

spirit. Indian banking system was linked with the spirit of nationalist movement. Accordingly, the stalwarts of the national movement including Lalalajapathi Roy (Punjab bank), Bhogaraju Pattabhi Sitaramaiah (Andhra Bank), Dadabai Nouroji (Central Bank of India), Firoz sha Mehta (Oriental bank of Commerce) pioneered banking system in pre-independent India. Bharat Overseas Bank was inspired by Subramanya Bharathi and Allahabad Bank was inspired by Motilal Nehru.

Andhra Bank was founded on 20 November 1923. With the nationalistic

initiation, the important nature of banking expanded into a social utility with patriotic theme. Banking in Andhra Bank emerged to be a wonderful apparatus for the amelioration of the downtrodden, thanks to the later nationalization of the banks. Since Andhra Bank played and now is also playing a pivotal role in delivering the fruits of banking to the needy, Industrial View urges the leader to be proactive in rescuing the SMEs from extinction. ■

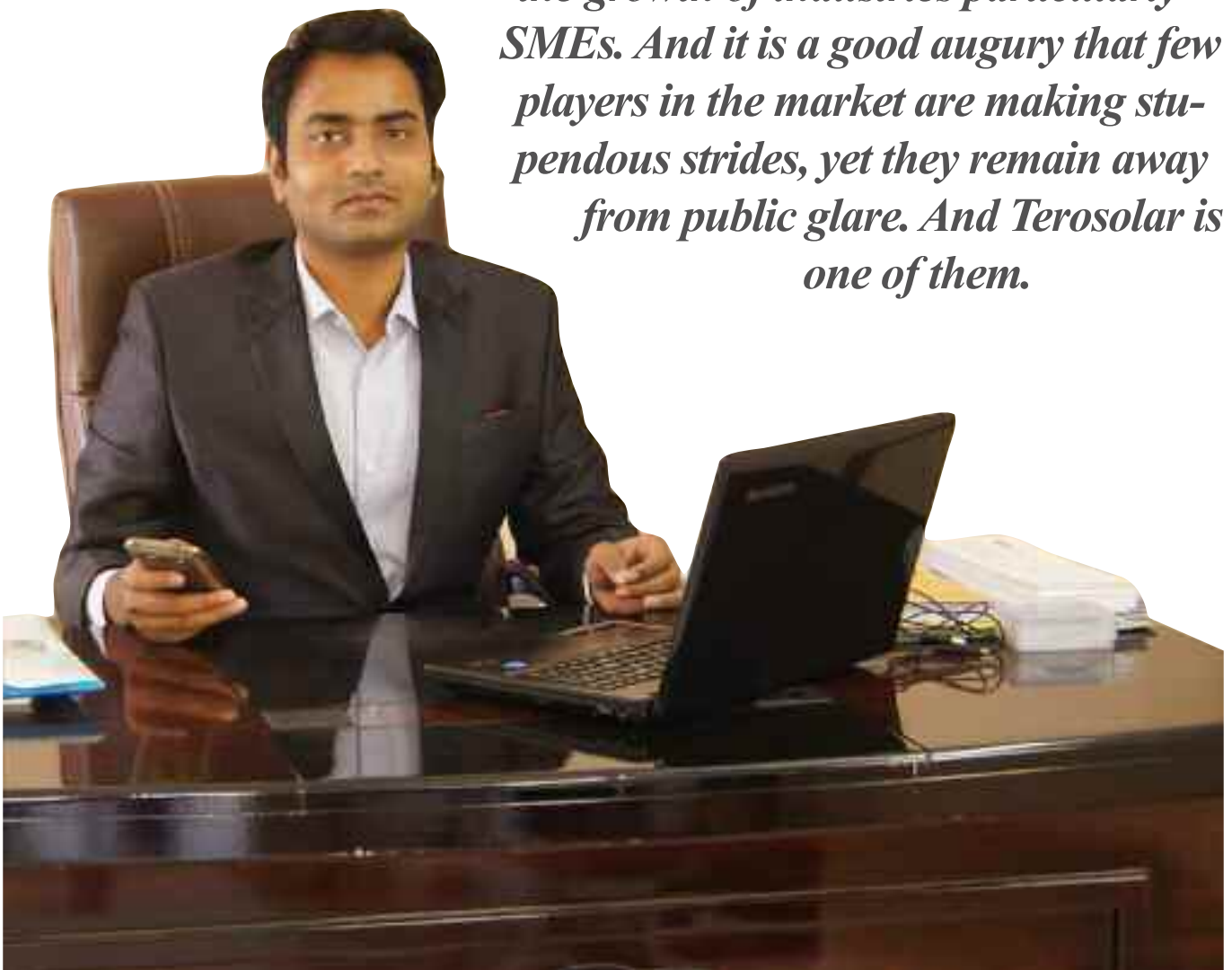




SOLAR ENERGY

THE FUEL OF FUTURE

While the whole world is grappling with the energy problem, with scientists racking their brains over finding alternative sources of energy, tapping the Sun's energy potential has emerged as a good source of clean and green energy for industries and also for domestic purpose. With conventional energy sources getting exhausted due to rising demand for power from various segments and also its spin-off effects on ecology, more and more countries are joining the solar energy bandwagon for producing energy at cheaper price. Due to skyrocketing costs of power generation and escalating prices of conventional fuels like petrol and diesel, solar energy is being looked upon as a cheap and clean energy to fuel the growth of industries particularly SMEs. And it is a good augury that few players in the market are making stupendous strides, yet they remain away from public glare. And Terosolar is one of them.





**Solar Energy:
The SAVIOUR of SMEs**

What is Solar Energy? And what are its applications and advantages?

Solar energy can be classified into two areas: Solar power and Solar thermal heat. Solar power is the electricity generated with help of Sun's energy while Solar thermal heat is production of steam with the help of Sun which has several industrial applications.

For tapping Solar power from Sun's energy, the chief raw material, Sun's Rays are absolutely free and are available in abundance. Apart from providing clean source of energy, the costs for obtaining this energy are invariably very less as only solar power system is needed and even its costs have come down of recent. So much so, Solar energy is now at par with traditional electricity.

What is cost Per Unit through Solar Energy?

The cost of installing 1 KW system is Rs 65,000-70,000 only without battery back-up. With 6 hours battery back-up it can go up to Rs 1 lakh per KW. If we calculate the total no of Units generated and total cost of the system with appropriate time value, per Unit costs comes to Rs 4 for MW scale and Rs 5 for KW scale.

Can Solar Power be used for Factories and Industries?

Yes, Solar power can be used for factories, and it's a misconception that it cannot be. For a solar power plant of 1 KW an area of 100 Sq ft, is required while 100 KW PV system occupies 10000 Sq ft. if you have enough area, you can even install MW scale plant.

Motors of high capacities like 50 Hp and 70 Hp can also be run

successfully with solar energy.

During What time does solar power works and what about Night time?

Solar power works between 8-5 and the peak production is usually between 10-3. Solar power doesn't work after 6. However, there is a solution: we can provide battery back-up, which can be provided for any 6 hours. Battery back-up costs about Rs 9 per unit.

Diesel genset costs about Rs 20-22 per unit now (and increasing every month). Whereas, Solar power with 6 hours battery back-up works out to half of that and below.

Let's take at requirement for a big house which has 3 ACs, 10 fans, 15 lights and 2 HP motor and average house with 1 AC, 5 fans, 5 lights and 1 HP motor and find out how much does it cost to

shift to Solar power ?

While for a big house its cost about Rs. 10 lakhs, the small house costs about Rs 5.5 lakh -- for 25 years of free power for the day. Effectively you are pegging the cost of power at 6 Rs for the foreseeable future which is a huge relief.

What are the advantages of Solar energy for 'Power Hungry' Businesses?

With Solar power cost per unit is pegged at Rs 5 Per Unit for 20 Years, Solar power is a boon to power intensive businesses as they have control over the cost of power and can gain a huge competitive edge over their competitors who don't shift to Solar power.

Solar power seems like lot of upfront cost, Do you have financing options available?

Yes , Solar power sounds like little high upfront costs. However the payback is about 4-5 years. Coming to the financing, in case your requirement is greater than 50 KW , we can provide a good interest rate of 9% for a 5-year period.

What are the incentives from Govt. for Solar energy?

As of now, government gives lot of incentives for use of solar energy

- 1) Accelerated depreciation (AD) of 80%. So income tax is waived for 80% of the amount you invest into Solar project , it could be a 10 KW or 1 MW plant.
- 2) Income Tax holiday for 10 years . Income earned on Solar power projects will not be taxed for the next 10 years

- 3) There are other incentives like REC(Renewable Energy Certificates) certificates and Transmission and wheeling waiver in theory but facing slight hurdles

Apart from the above, there are bunch of extra incentives for Captive Power plant.

What is Captive Power Plant and what its benefits ?

Captive Power Plant is basically a power plant , in which the power generated in the plant is consumed by the investor instead of selling it to third party. The benefits are i)Cross Subsidy Surcharge and Electricity duty waiver.

What is the concept of 'Solar Crowd Funding'?

At Terosolar we can have come up with an Innovative Plan called 'Solar Crowd Funding' to protect even small consumers from power bill shocks. Basically 1 MW power will be divided amongst 5-20 different persons instead of one big player investing the whole amount.

Lets take the case of shopping mall which consumes around 40,000 Units of Power per month (but 1 MW produces 1,50,000 Units), with the help of Solar Crowd Funding , this shopping mall can get power at one of cheapest rates possible at 4 Rs per unit compared to 9 Rs per unit they pay currently, Apart from this they can get Accelerated depreciation benefits and others like CSS and Electricity Duty waiver. Along with this they too can avail RECs with which the payback should come down to 3-4 years, After which you enjoy free power for next 20 years while your competitors pay increasing power bills every year.



With Solar power, day time is covered, are there any economical options for after 6 PM?

Wind Power is a first order differential of Solar power. So basically when Sun sets the Wind power starts kicking in. Wind power along with Solar power should provide a great combination in continuous power generation.

Along with this one other idea is that in case we have generated substantial Solar power in Andhra Pradesh, we can use hydro power just to cater to the peak power problem.

Apart from the power generation capacities, one need to focus on Transmission losses and upgrading the grid to Smart Grid.

What is Solar Thermal Heating and what are its advantages?

Solar Thermal heat is basically producing heat directly from Sun instead of producing power. Basically direct heat generation is 50% more efficient than power production and hence gives better return on investment than Solar power panels.



Solar Thermal works by turning water into steam. This steam in turn can be used for many applications like Cooking, Laundry, Washing Vessels, Air-conditioning and where ever Boilers are used.

All these applications have pay-back of 2-3 years with life span of 20 years.

Terosolar has access to the best technology in this Solar Thermal Products in India.

Solar Cooking is successfully used in Tirumala and Shirdi Sai Temple, providing food to 20,000 devotees every day.

Solar Laundry and Air-conditioning is running in ITC Maurya, Delhi successfully.

Every day we hear of many more places where Solar Thermal technology is being increasingly used. All these applications run without electricity saving on power cuts and can run extremely well even in summer.

Solar Thermal Heat Technology sounds very exciting, explain more about it?

Solar Heat converts water into Steam, this steam can be used where ever steam is used.

Cooking: Solar heat provides a very efficient way of cooking compared to commercial LPG cooking.

A Solar system that cooks 800 meals only costs Rs 15 lakhs (which has 1 day storage).

PAYBACK: 2 years

Laundry: Hospitals and Hotels use steam for cleaning clothes, Solar Heat can provide steam for Cloth cleaning

PAYBACK: 2 years

Steam Boiler: we can provide either dry steam or can provide very hot water at 90C which can offers huge savings on fuel

PAYBACK: 1-2 years

Milk Pasteurization: we can provide milk boiling solution at very economic method for 30000 liters

PAYBACK: 2 years

Solar Heat has applications in

Dairy Industry: Solar Milk Pasteurization, Solar hot water washing. Solar energy based sterilization

Textile Industry : Yarning – solar hot air, Weaving – solar steam, Dying – solar hot water, Bleaching – solar hot water, Drying – solar hot air, Steam pressing – solar steam, Curing – solar steam

Food Processing Industry: Pasteurization – solar steam heating, Drying of vegetables / fruits – solar hot air, Frying of edible items – hot thermic oil,

Paper & Pulp Industry: Pulp making – solar hot water and solar steam,

Pulp processing - solar hot water and solar steam,

Water treatment and steam and power generation and effluent treatment – solar steam

Chemical Industry: Distillation, evaporation and drying through solar steam, solar hot air, Effluent treatment through solar steam

Pharmaceutical Industry: Sterilization through solar steam or solar hot air, Granulation through hot air.

Automobile Industry: Degreasing through solar steam, Drying through solar hot air, Heating of tanks through solar steam, Low temperature tempering through solar hot air, Paint Baking using solar hot air

All these applications have pay-back of 1-4 years with a life span of 20 years.

Let us know about your Terosolar Company ?

Terosolar is a Solar Marketing and Consultancy firm founded in 2013. We believe the future of Energy is Solar Energy as it is one of the cleanest and most abundant energy available. Terosolar wants to be a part of this energy of the future. We have access to some of the latest technologies in Solar energy landscape and partnerships with some of the best EPC players in the field.

We have excellent financing options available which are unbeatable in the industry for projects ranging from 10 Kv -10MW.

We have come up with an Innovative business idea of Solar Crowd-funding where in multiple investors invest in a single Plant and share the benefits accordingly (<http://www.terosolar.com/crowd-funding.php>), and are marketing it aggressively.



At Terosolar, we believe in giving the best of service to our clients and customers

Terosolar is based out of Hyderabad and has operations in Bangalore and Rajahmundry.

**Please contact us on
91-9676700547,
8884277117 or
krishnayogi@terosolar.com**

What is your Conclusion?

In conclusion I would like to say that, if you switch to Solar Today, from Tomorrow on

You would be laughing when Diesel Prices go up;

You would be giggling when Electricity Prices go up;

You would be smiling when Petrol Prices go up;

You will be saving the environment for our Kids and their kids;

You will be saving our country from Expensive oil Bills;

Your will be providing lot of jobs to your city, state and country. ■

What are the advantages of Solar Fencing?

Solar Fencing uses Solar energy as input which is in Direct Current, this is very useful for Industries, Agriculture especially where there is power Cut Problem. Solar Fencing like electrical fencing gives a mild shock and disturbs the intruder but doesn't kill them like Alternating Current.

Solar Fencing comes with Solar Panel and a battery with 5 days of back-up so as to ensure 24/7/365 security. Beyond 1 km distance of perimeter Solar Fencing actually turns out to be cheaper than the traditional Barbed wire Fencing High Security Fencing works by detecting the exact location of intrusion along with CCTV, High Fidelity Camera, Flood Lights activation.



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CMD

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RBI Deputy Governor tells banks to help small borrowers in big way



RBI Deputy Governor K C Chakrabarty, respected for his plain-speak, is a strong votary of the micro and small enterprises (MSEs) and wants banks to show 'more compassion' to the small borrowers while restructuring stressed loans, establishing that the ratio of impaired assets for the medium and large industries is far greater than the micro and small firms. In his brilliant presentation before the top bankers at the IBA meeting recently, he told them how banks are discriminating against the small and micro borrowers;

Here are excerpts: Advances to the medium and large segments account for about 50 per cent of total bank advances and of total Non-Per-

forming Assets (NPAs) indicating that the deterioration in asset quality is driven by the medium and large enterprises. This is also reflected in the 'impaired assets ratio' which stands at 14.8 per cent for medium and large industries as compared to 10.6 per cent for micro and small enterprises as on March 2013.

"I strongly feel that the mechanism of restructuring of small accounts needs a special mention in terms of corrective action needed. SMEs and other segments covered under the priority sector are an important segment of the economy as they provide employment to a large number of people. It is important that the viable businesses under these segments facing temporary

problems are not discriminated against. The entire approach to restructuring has to be reoriented to show more compassion to the small customers," Chakrabarty told India's top bankers at a recent conference of the Indian Banks Association.

"Till late 90s, the banks captured only basic data about asset quality i.e. gross and net NPA ratios. It is only following the regulatory nudge that the banks started collecting and reporting data on flow of NPAs (fresh accretions and recoveries) from 2001 onwards. Further, it is only recently i.e. since 2009, that collection of more granular data on asset quality like segmental NPAs, write-offs, recoveries etc., has started, primarily due to regulatory

impetus. Unfortunately, this initiative in banks was limited to collecting this data for the purpose of reporting to the regulator. Few efforts were made to analyse and use this data internally for improving the quality of internal credit management.

Over the next few minutes, I will present an analysis of trends in asset quality and credit management of banks based on this granular data. I will then attempt to draw some inferences from this analysis about the quality of credit management in banks and how it has contributed to the recent trends in asset quality.

Trends in Slippages and Recovery : The flow of NPAs over the last decade shows that while the reduction in NPAs was to the tune of Rs. 4.9 trillion between 2001 and 2013, the accretions to NPAs were close to Rs. 6.3 trillion. If the entire period is split into two - 2001-2007 and 2008-2013, some interesting differences emerge. While during the first period, accretions to NPAs and reduction in NPAs are largely matched (Rs. 1.6 trillion of accretions as compared to about Rs. 1.7 trillion of reductions), during the later period the position altered dramatically with accretions to NPAs far exceeding the reductions (about Rs. 4.7 trillion of accretions as compared to Rs. 3.2 trillion of reductions).

There is evidence of increased use of write offs by banks to reduce NPAs, which is a pointer to weaknesses in credit management. Write offs were initially introduced as a tool for banks to manage their tax liabilities on impaired assets. However, they subsequently emerged as a tool for banks to manage their reported gross NPA numbers. Write

offs, in fact, contributed significantly to the reduction in the quantum of gross NPAs (in some years, write offs accounted for nearly 50 per cent of reduction) as compared to actual recoveries and upgradations. Write offs as a percentage of terminal reduction (reduction on account of write-offs and actual recovery alone) has consistently been above 50 per cent mark.

These practices clearly engender moral hazard issues as they reduce the banks' drive to improve recovery

There is evidence of increased use of write offs by banks to reduce NPAs, which is a pointer to weaknesses in credit management.

efforts. They also result in leakages in the recovery process. This is evidenced by the fact that, on an average, less than 10 per cent of the total amount written off (including the technical write off) is recovered further bearing testimony to the poor recovery efforts of the banking system are the trends in the ratio of upgradation to slippages. Even in the 'good' times, the ratio was never more than 20 per cent – a clear sign of poor standards of credit and recovery administration as well as a certain amount of apathy on the part of banks in expending efforts to revive accounts. The spirit of good credit management is to revive genuine problem accounts and not to retain them as NPAs for an eventual

write-off.

Masked in the overall recovery statistics that I have so far discussed, are considerable divergences in trends across different bank groups. The new private sector banks and foreign banks recorded higher slippage ratio (gross and net) immediately after crisis but were able to arrest the increasing trend in slippages through focused attention on credit risk management including exit strategies. In recent years, the ratio has risen sharply for PSBs. This indicates that new private sector banks and foreign banks were able to manage their asset quality better than PSBs as they were quick in identifying NPAs, while PSBs resorted to retrospective restructuring to report lower NPAs initially. This practice eventually tipped the scale against the PSBs and thus, in hindsight, regulatory guidelines also contributed to the decline in the asset quality of the PSBs.

The bank group wise trends in slippages are further re-enforced when the trends in slippages and fresh restructuring are examined. The ratio of slippages and fresh restructuring to advances rose sharply for the PSBs post crisis – from 5.2 per cent in March 2009 to 7.1 per cent in March 2013. The ratio reduced for foreign banks and new private sector banks and stood at a much more robust 1.8 per cent in March 2013.

It is, thus, clear that the weaknesses in credit and recovery administration that existed prior to the crisis, especially in the case of PSBs, were not dealt with in a timely manner. The crisis only exacerbated the problem. ■

Seemandhra stir takes toll on INDUSTRY

The two day bandh call in protest against formation of a separate Telangana State is costing production loss of close to Rs 800 crore per day, according to industry estimates.

All the 13 districts of Rayalaseema and coastal Andhra regions today came to a grinding halt to protest the union cabinet's approval to a draft bill for formation of a separate Telangana state.

“Although we haven't made a formal assessment, production loss can be estimated at Rs 500 crore in the coastal region and over Rs 225 crore in the Rayalaseema region. This is so because the entire industry is participating in the bandh call – production houses, traders, shops, etc.” said Vijayawada Unit Secretary, Andhra Chamber of Commerce, Chukkapalli Prasad.

The Chamber has appealed to the organisers of the bandh, asking them not to include the industry in the agitation and strikes. “We cannot afford such shutdowns. Once crippled, it is difficult for us to make up the loss,” Prasad said.

Transport services were hit with more than 12,000 buses of state-owned Andhra Pradesh State Road Transport Corporation (APSRTC) going off the roads in Seemandhra.

Shops, petrol bunks, business establishments and education institutions were also shut in response to the shutdown called by YSR Congress party for 24 hrs, Telugudesham Party for 48 hrs and Andhra Pradesh Non-Gazetted Officers (APNGOs) Association indefinitely. ■

Property worth Rs 15L goes up flames at Bajrant Jute Mills

A massive fire broke out in the Bajrang Jute mills of Guntur recently. The loss of which is estimated at Rs 15 lakh.

However, there were no casualties. Although there was panic among people in the vicinity, fire-fighters who had been trying to curb the fire since morning finally managed to put it out.

Almost 100 years old, the Bajrang Jute mill employs thousands of workers.



The mill is a unit of the East India Commercial Co Ltd, a public limited company incorporated in 1941, and promoted by Bhartia family of Kolkata.

Having carried out trading activity initially, the company in 1945 went into manufacturing of jute products. It now has in its stable

3 jute units – Krishna Jute Mills, situated at Eluru; Bajrang Jute Mills Ltd situated at Guntur; and Krishna Hessians, situated at Kottur, near Eluru, Andhra Pradesh.

EAST INDIA group is a premier manufacturer of jute goods in India with an installed capacity of about 80000 M.T. and annual production of 60000 M.T.

The combined turnover of the Group is USD 35 million. The company employs 10,000 workmen in its jute manufacturing units.

Krishna Jute Mills and Bajrang Jute Mills manufacture jute bags for packing of food grains, sugar and a small quantity of jute twine and yarn, which are mostly sold in the domestic market in India.

(KNN/SD) ■

Centre okays three NIMZs in AP

The Centre has given in-principle approval for three national investment and manufacturing zones proposed in Chittoor, Medak and Prakasam districts of Andhra Pradesh.

According to a media report, the proposal for sanction of Rs 250 crore for payment of advance for the land acquisition for the proposed zones in Chittoor and Medak districts has also been agreed.

The report further added that the Medak district zone could attract investments up to Rs 43,000 crore.

While in Chittoor and Prakasam district it is estimated that the proposed zones could attract Rs 31,000 crore and Rs 43,000 crore investments respectively.

The three zones are coming up on an area of over 5,000 hectares each, according to an official release last week. ■





Vishakhapatnam port in for a big makeover

In a bid to create new employment opportunities in the state and increase trade benefits, the Government of India has approved the implementation of a project to upgrade port facilities here.

The project would comprise of upgradation of the existing facility at outer harbour and creation of new facility at inner harbour for handling iron ore.

“The upgradation, operation and maintenance of the facilities are expected to create new employment opportunities” the Union Minister for Shipping, G K Vasan said.

“The augmentation of capacity will also lead to increase in trade



and associated benefits. The facility will mitigate dust pollution and increase operational efficiency as the existing ore handling complex will be upgraded with latest equipment,” he added.

In a statement tabled in the Rajya Sabha today, Vasan said that the project will have a capacity of 23 million tonnes to cater to 2 lakhs Dead Weight Tonnage (DWT) carriers at outer harbour and up to 65000 DWT carriers at inner harbour.

The estimated cost of the project is Rs 845.41 crore and will be financed by the Concessionaire.

Food processing industry set to provide millions of jobs

The National Skill Development Corporation (NSDC) has predicted that the food processing sector would require 17.8 million skilled workers by the year 2022.

The projected requirement has been made based on reports of skill gap analysis studies on priority sectors of the economy, commissioned by the NSDC, said Minister of State for Agriculture and Food Processing Industries, Charan Das Mahant ..

On the money disbursed for the food processing sector, “The Ministry has released an amount of Rs. 184.68 crore during 2012-13 and Rs 8.99 crore during 2013-14 (upto 30.11.2013) to the State/ UT Governments under the scheme of National Mission on Food Processing (NMFP).

“Under the scheme, State/ UT Governments are empowered to utilize funds not exceeding 20 per cent of total NMFP allocations of the respective State/ UT



in a year on the component of Human Resource Development. State Governments have been requested by the Ministry to utilize fifty percent (50 per cent) of HRD allocations under NMFP for skill development,” official data said.

The Ministry under its 11th Plan scheme for Technology Upgradation/Establishment/

Modernization of Food Processing Industries, provides grant-in-aid for setting up of food processing units at the rate of 25 per cent of the cost of Plant and Machinery and Technical Civil Works subject to a maximum of Rs 50 lakhs in general areas and at 33.33 per cent subject to a maximum of Rs 75 lakhs in difficult areas such as Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and North-Eastern States, A&N Islands, Lakshadweep and ITDP areas.

This Scheme has been subsumed in the newly launched Centrally Sponsored Scheme of National Mission on Food Processing (NMFP) during 12th Plan (with effect from 1.4.2012) to be implemented through States/UTs. ■



India to emerge as global leader in solar power sector



Emphasizing that India will become a global leader in the development of solar power, World Bank said that it will help India produce clean energy and contribute to reducing emissions per unit of GDP by 20-25 per cent by 2020, over 2005 levels.

The Jawaharlal Nehru National Solar Mission Phase-1 (JNNSM) is poised to make India a global leader in the development of solar power as its green growth agenda increased the installed capacity from around 30 MW to more than 2,000 MW, a World Bank report said yesterday.

What is significant is that JNNSM has been instrumental in bringing down the cost of solar power to a level that is competitive across the world, said the re-

port.

It has reduced the costs of solar energy to USD 0.15 per kWh, making India among the lowest cost destinations for grid-connected solar Photovoltaic in the world.

Growth in the energy sector is key for India as more than 300 million of the country's people still lack access to electricity, and industry cites energy shortages as a critical barrier to growth, the report added.

According to the report, Paving the Way for a Transformational Future: Lessons from JNNSM Phase 1, solar power can reduce India's dependence on imports of diesel and coal for power generation, reduce greenhouse gas emissions, and contribute to energy security.

For India to achieve its target of adding 20,000 MW of solar capacity by 2022, there is a need to address key issues such as structural constraints to commercial financing, World Bank Country Director for India Onno Ruhl said.

"In a short span of three years, India has made impressive strides in developing its abundant solar power potential. With more than 300 million people without access to energy and industry citing energy shortage as key growth barrier in India, solar power has the potential to help the country address the shortage of power for economic growth," he said.

The report highlights several challenges that could act as a barrier to India achieving its solar targets by 2022. These include lack of access to low cost financing; inadequate solar infrastructure; lack of raw materials for several solar PV manufacturers; and an underdeveloped supply chain leading to high inventory costs.

"Building on the success of Phase 1, the program now needs to focus on promoting financing of solar projects by commercial banks, developing shared infrastructure facilities such as solar parks and identifying comparative advantage of Indian manufacturing across the supply chain", said Ashish Khanna, lead energy specialist and one of the authors of the report. ■

Dairy industry in for Rs. 1400 crore boost by Centre



In an effort to generate self-employment opportunities in dairy industry, the government will provide Rs 1400 crore for enhancement of milk production, procurement and other infrastructure required for the sector.

The decision to give a boost to the employment oriented dairy sector was taken by the Cabinet Committee on Economic Affairs (CCEA).

“The Cabinet Committee on Economic Affairs (CCEA) has approved modification and continuation of the Dairy



Entrepreneurship Development Scheme (DEDS) during the 12th Plan with an outlay of Rs 1400 crore covering activities such as enhancement of milk production, procurement, preservation, transportation, processing and marketing of milk,” said an official

release.

The funding pattern comprises entrepreneurship contribution, back ended capital subsidy and bank loan.

The objectives of DEDS are to generate self-employment and provide infrastructure for dairy sector, set up modern dairy farms and infrastructure for production of clean milk, encourage heifer calf rearing for conservation and development of good breeding stock, bring structural changes in the unorganised sector, upgrade traditional technology to handle milk on commercial scale, provide value addition to milk through processing and production of milk products.

Under the DEDS, an amount of Rs 552.19 crore has been released as back ended capital subsidy to the beneficiaries for establishment of 1,50,908 dairy units upto September 2013.

The National Bank for Agriculture and Rural Development (NABARD) will be the nodal agency for implementation of the scheme.

The bank will implement the

scheme through all scheduled commercial banks, regional rural and urban banks, state cooperative banks, state cooperative agriculture and rural development banks and such other institutions, which are eligible for refinance from it.



CCEA nod for plan to tackle livestock health

The Cabinet Committee on Economic Affairs has approved the proposal of the Department of Animal Husbandry, Dairying and Fisheries for implementation of the on-going Centrally Sponsored Scheme "Livestock Health and Disease Control" in the 12th Plan with certain modifications and expansion of existing components.

The move would have a positive impact on the huge livestock population in the country, considering that their productivity is often inhibited by a variety of animal diseases which also affect international trade.

“Implementation of the existing components with modifications and



expansion of the national control programmes including addition of one new component on control of classical swine fever under the scheme 'Livestock Health & Disease Control' will involve an investment of Rs 3114.00 crore for entire 12th Plan Period,” said an official notification.

The scheme will ensure effective tackling of the issue of livestock health and strengthening the existing efforts to manage the animal diseases, many of which are of transboundary nature with economic and zoonotic potential.

Significantly, the scope of Foot and Mouth Disease and Peste des petits Ruminants (PPR) Control Programmes will be expanded to cover all the districts during 12th Plan, also including the Classical Swine Fever Control Programme in the scheme.

The Scheme also envisages upgradation of State Biological Production Units and Disease Diagnostic Laboratories so as to make them Good Manufacturing Practices (GMP) and Good Laboratory Practices (GLP) compliant respectively. ■

Move to promote organic farming, horticulture

Towards holistic development of the agricultural sector, the government has in place various schemes that promote organic farming, soil fertility, etc.

“The Government is promoting organic farming through various schemes like National Project on Organic Farming (NPOF), National Horticulture Mission (NHM), Horticulture Mission for North East & Himalayan States (HMNEH), National Project on Management of Soil Health and Fertility (NPMSH&F) Rashtriya Krishi Vikas Yojana (RKVY) and also Network Project on Organic Farming of Indian Council of Agricultural Research (ICAR)” said a release from the Ministry of Agriculture and Food Processing Industries.

The NPOF scheme provides assistance upto 25 per cent and 33 per cent of financial outlay upto a ceiling of Rs 40 lakhs and Rs 60 lakhs respectively is provided as back ended subsidy through National Bank for Agriculture and Rural Development (NABARD) for establishment of bio-fertilizers production units and agro waste compost production units respectively.

NHM is being implemented since 2005-06 in 18 states and 3 Union Territories for the holistic development of horticulture in the country. The remaining States are covered under HMNEH.

NHM and HMNEH provide help for activities such as vegetable seed production, protected cultivation, organic farming and INM/IPM measures for vegetables.

RKVY, a vegetable Initiative for urban clusters (VIUC) is also being implemented since 2011-12 to address production and supply chain issues of vegetables in state capitals, and identified cities with a population of 1 million and above.

NPMSH&F provides financial assistance of Rs 500 per hectare to promote use of organic manure. The financial assistance is provided on the basis of project proposals received from states. ■



Govt to unveil solar townships soon

In an initiative to promote renewable energy and reducing greenhouse gas (GHG) emissions, the government is planning to set up townships that are powered by solar power energy.

In its programme, 'Development of Solar Cities' a total of 60 cities and towns are proposed to be supported for development as "Solar/ Green Cities," an official release from the Ministry of New and Renewable Energy said.

So far, an amount of Rs 21.23 crore has been sanctioned for preparation of master plans, solar city cells and promotional activities for 45 cities, out of which Rs 4.64 crore has been released.

Further, an amount of Rs 25.55 crore has been sanctioned for execution of renewable energy projects in 9 cities, out of which Rs 9.49 crore has been released for utilization by the concerned state nodal agencies and municipal corporations, it said. ■



Banks' norm on credit guarantee irks SMEs

Industries particularly in the SME segment, are being subjected to guarantee fee for bank term loans without collaterals, according to arbitrary discretions of individual banks. In this regard, BBN Industries Association here has taken a lead and raised the issue with several key banking authorities and intermediaries including the Reserve Bank and SIDBI.

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and new enterprises are eligible to be covered under the scheme.

The Ministry of MSME and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small En-

terprises.

The fee payable to the Trust under the scheme is one-time guarantee fee of 1.5 per cent and annual service fee of 0.75 per cent on the credit facilities sanctioned. For loans up to Rs 5 lakh, the one-time guarantee fee and annual service fee is 1 per cent and 0.5 per cent respectively.

“According to the CGTMSE scheme, banks can lend up to Rs 1 crore without collateral. Against that loan, the borrower has to pay a guarantee fee every year,” said Senior Vice President of BBN Industries Association, Sanjay Khurana.

“The discretion of the banks to recover from the borrower is on the mutually agreed amount. This discretion creates a lot of problem and confusion,” he said.

“They charge differently from different customers on the basis of their will,” Khurana added.

The association has also taken up the issue with the Reserve Bank. The RBI authorities agreed with

the contention of this association that there is too much ambiguity in the scheme which needs to be looked up on.

“Our major issue is when we take term loan from the banks, the credit guarantee fee is charged on the original amount of the term loan even in the subsequent years of repayment when the total term loan gets reduced,” said Khurana.

“We have discussed the issue with SIDBI as well, but they seem to be very adamant saying that they are strictly working according to the rules of the scheme,” he added.

However, CGTMSE told the association that their issue is logical and needs to be looked upon.

The CGTMSE scheme was formally launched on August 30, 2000 and is operational with effect from 1st January 2000.

The guarantee cover available under the scheme is to the extent of 75 per cent of the sanctioned amount of the credit facility. ■

AP transforming into a mecca of BUSINESS



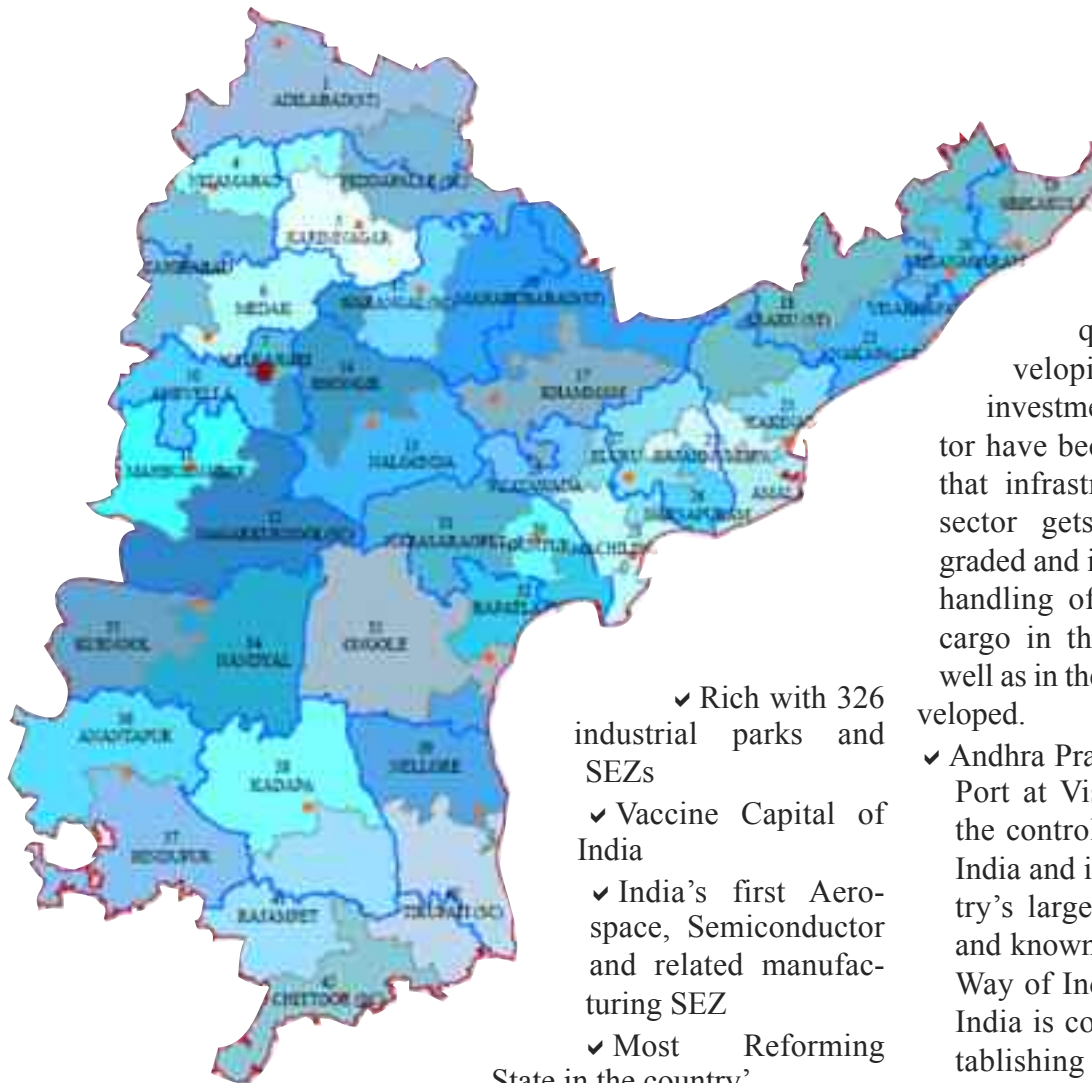
Chief Minister N Kiran Kumar Reddy who is making big efforts to woo the investors from different parts of the world to invest in the state of Andhra Pradesh has unveiled a slew of schemes to accelerate the pace of industrialization in the State. Speaking on the eve of Partnership Summit 2012 held in Hyderabad, the Chief Minister said the State will soon turn into a epicentre of business growth as AP is fast turning into a investor-friendly destination.

Andhra Pradesh leads the country in awarding PPP projects and in attracting enviable quantum of investments for accelerated development of the State. The State is committed to develop world class infrastructure in ports, airports and natural gas sectors and is emerging as a preferred destination for investments in the country.

The State has legislative and institutional framework for infrastructure development under PPP mode. Our State intends to derive the maximum potential of PPP framework and at present 215 infrastructure projects involving an investment of Rs. 81,000 crore (USD 15.6 billion) under PPP are under different stages of implementation in the State.

While speaking at the Partnership Summit held in 2012I in Hyderabad, the Chief Minister said that is his endeavor for building in 'New Age Innovation Partnerships' which will usher in mutually profitable outcomes for all of us. Later he shed light on the advantages the state of Andhra Pradesh has and provides to the potential investors and corporate captains.

WHY ANDHRA PRADESH



- ✓ Strategically located in the south central India, and is considered as a gateway to East and South Asia
- ✓ A coastline of 972 KMs – Second largest in India
- ✓ Third largest economy in the country
- ✓ The second state in the country to bring the legislation on the infrastructure Development Enabling Act., for accelerated infrastructure development under PPP
- ✓ Generated maximum employment in India

- ✓ Rich with 326 industrial parks and SEZs
- ✓ Vaccine Capital of India
- ✓ India's first Aerospace, Semiconductor and related manufacturing SEZ
- ✓ Most Reforming State in the country'

- ✓ Hyderabad the 'Most Business Friendly City in India'
- ✓ Promising opportunities and investment friendly environment
- ✓ Returns bloom in India, in Andhra Pradesh they are guaranteed
- ✓ Excellent National and International connectivity
- ✓ Proven vast Natural Gas reserves in the KG Basin
- ✓ Excellent national and international connectivity, with a world class international airport (World's No.1 Airport as rated by ACI).

Ports:

Andhra Pradesh has a coastline of about 972 Kms and the State has recognized the imperative need for increased port infrastructure and the role that the private sector would be required to play in developing the same. Huge investments in the port sector have become imperative so that infrastructure in the port sector gets modernized, upgraded and is expanded to allow handling of higher volume of cargo in the existing ports as well as in the new ports to be developed.

- ✓ Andhra Pradesh has one major Port at Visakhapatnam under the control of Government of India and it is one of the country's largest and busiest Port and known as East Coast Gate Way of India. Government of India is contemplating for establishing second Major Port and Ship Building facility in the State of Andhra Pradesh.
- ✓ The State has developed ports under the Public Private Partnership at Krishnapatnam, Kakinada, Gangavaram and Ports at Voderavu, Nizampatnam and Machilipatnam are under development.
- ✓ Government of Andhra Pradesh is also notifying Captive Ports to meet the requirement of major industries.
- ✓ Investor would be free to fix their own tariffs for various Port services. Government will help in acquisition of the land and provides external connec-

tivity upto the boundary of the Port.

Krishnapatnam Port:

Krishnapatnam Port is situated at a distance of 24 Kms from Nellore in Potti Sreeramulu Nellore District, southern most coastal district in the State and 200 Kms north of Chennai Port, commissioned during 2009. The Port infrastructure is designed to handle super cape size vessels. At present, Coal, Iron Ore, Fertilizers, Agri-Products, Granite, Project Cargo, Containers, Edible Oil etc., are being handled. Port has excellent connectivity to National Network of Railway Line and National Highway (NH-5) through dedicated railway line of 19 Kms to the Chennai-Kolkata main Railway Line and 4-lane road of 26 Kms from Port to NH-5.

Kakinada Port:

The operating Ports at Kakinada comprises of Kakinada Anchorage Port and Kakinada Deep Water Port. The Anchorage Port is under the control of the Government of Andhra Pradesh and having necessary infrastructure to handle 4 Million Tones of cargo. The principal commodities being Fertilizers, Maize, Rice, Cement etc.

The Deep Water Port was established during 1999 as part of privatization initiatives by the Government and presently being operated by M/s.Kakinada Seaports Ltd., The Port is located 170 Kms. South of Visakhapatnam and 650 Kms. North of Chennai. It is an all weather deep water port which can handle 50,000 DWT with all the supporting port infrastructure. The port is well connected to Rail and Road net work.

The imports include Edible oil, Fertilizers, Raw materials, POL, Iron ore, Coal, Wood pulp, Machineries, Chemicals, etc. The Port is capable to export bulk cargoes viz., Iron ore, Cement clinker, Minerals, such as Bentonite, Feldspar etc. It is an ISO and ISPS certified Port.

Gangavaram Port:

Gangavaram Port developed under Public Private Partnership (PPP) mode during 2009, is a most modern, all weather deep water multipurpose World class Port which offers major tangible benefits to Indian Industries through deeper draft of 21 Mts., advanced cargo handling equipment and highly efficient operations. The Port is located in Visakhapatnam and connected to NH5 with an exclusive 4 lane ex-



press way and with 2.3 Kms Rail linkage to the main broad gauge national network of Chennai, Visakhapatnam, Howrah rail corridor. The Port is equipped to handle coal and fully mechanized Iron ore handling system for handling vessels upto 2,00,000 DWT. Future developments include plan for handing of dry cargo, break bulk, liquid and container cargoes.

Kalingapatnam Port:

The Port is situated in Srikakulam District on the bank of Vamsadhara river. The nearest NH5 is about 20 Kms and Railway line is

20 Kms from the Port. The Port is about 45 N.M. to the north east of Visakhapatnam. The Port can be developed as lighter age and fishing port. The market studies carried out indicate that the import commodities which can be handled at this port are Crude, Soya oil, Raw cashew, Iron and Steel scraps. The export commodities can be Soya meal, Cashew kernel, Granite, Ferro products, Jute and Iron products, POL and chemicals.

The Port is proposed to be developed under PPP mode. Bhavanapadu Port

The Port is situated in Srikakulam District on the northern bank of Tekkali creek. This Port is about 80 NM to the north east of Visakhapatnam. The nearest NH5 is at 20 Kms and nearest Railway line is Naupadu junction about 7 Km from the Port. It has good potential for development of lighterage and fisheries Port. The market studies carried out indicate that the commodities which can be handled through this Port include LPG, LNG, Thermal coal, Cooking coal, Lime stone, Fertilizers, Soya meal, Cashew kernel, Granite, Iron products etc.

The Port is proposed to be developed under PPP mode.



Airports

Andhra Pradesh, being the third largest economy and strategic location in the country, is keen to develop air linkages with the emerging Growth centers of the State. Government of Andhra Pradesh has already developed world class International Airport viz. Rajiv Gandhi International Airport at Shamshabad, Hyderabad under PPP route with State support.

Tirupathi International Airport

Upgradation of Tirupathi International Airport Presently, Government of Andhra Pradesh has extended support for upgradation of the existing Airport at Tirupathi to International standards planned by Airports Authority of India during 2010.

Rajiv Gandhi International Airport at Shamshabad, Hyderabad Non-Metro Airports

- ✓ Government of Andhra Pradesh is supporting the Aviation sector in respect of some of the Non-Metro Airports through they are under the control of Airports Authority of India. These are all expected to materialize during XII plan period.
- ✓ In line with the above, Government has entered into MOUs with Airports Authority of India in 2007 for up-gradation/modernization of Non-metro Airports at Vijayawada, Rajahmundry, Kadapa & Warangal.
- ✓ As per MoU, Government of Andhra Pradesh will provide additional land required for expansion/up-gradation of the

airport at free of cost to Airports Authority of India, besides supply of water & electricity and security arrangement at free of cost for 5 years.

Regional Airports

- ✓ Government of Andhra Pradesh also plans to set up Regional Greenfield Airports, for better linkage and for triggering economic growth in the State. Various incentives are proposed to be given for Aviation Sector in the State viz. Land, Infrastructure and Fiscal support.

New Proposals

- ✓ Aviation University: Establishment of Aviation University in Hyderabad for imparting training to Aviation Personnel. The matter is under examination in consultation with the Government of India.
- ✓ Development of Heliports / Helipads: Government of Andhra Pradesh is planning to develop existing Helipads / Heliports connecting Pilgrimage / Tourist Centers in the State.





Natural Gas

Exploration and Production

The State owned Andhra Pradesh Gas Infrastructure Corporation (APGIC) has won four blocks in KG basin along with other consortium partners in KG basin along with other consortium partners in NELP VIII round bidding conducted by Directorate General of Hydrocarbon (DGH). The other consortium partners in these four blocks are ONGC, BG, OIL and NTPC. Total area covered under four blocks is 4578 Sq. Kms. Total investment required to complete the Minimum Work Programme is approximately USD 405 Million. The E&P activities are at different stages in these four blocks.

Gas Transmission Grid

East-West Pipeline (Kakinada-Maharashtra-Gujarat) has already been laid and it is in operation. I) Kakinada-Haldia, II) Kakinada-Chennai Pipelines were awarded to an entity by Government of India and III) Central India Pipeline (Kakinada-Madhya Pradesh via Bhilwara) is under execution.

Thus, the entire State of Andhra Pradesh can be covered with pipeline network and City Gas Distribution (CGD) network.

Keeping the above gas Transmission Grid in view, APGIC has already taken action to fully tap the potential and initiated the following action:

- ✓ 17 Geographical Areas (Gas) have been identified for City Gas Distribution (CGD) for transport, domestic, commercial and Industrial use. Proposals for 9 Geographic Areas are submitted to Petroleum and Natural Gas Regulatory Board (PNGRB) and 8 more are under preparation, The districts covered in the first 9 Geographic Areas are: 1) Srikakulam-Vizianagaram, 2) Visakhapatnam-North of East Godavari, 3) Krishna-West Godavari-South of East Godavari, 4) Khammam, 5) Karimnagar-Warangal, 6) Rangareddy-Medak, 7) Nalgonda, 8) Chittoor and 9) Mahaboobnagar.



- ✓ The remaining 8 districts will be covered by proposed 8 Gas.
- ✓ The preparation of Regional State Grid covering all districts of Andhra Pradesh is in progress.
- ✓ APIIC is also a partner in Bhagyanagar Gas Limited (BGL), which has already taken up the City Gas Distribution in 3 major cities of Vijayawada, Kakinada and the entire district of Hyderabad.
- ✓ Andhra Pradesh Gas Distribution Corporation Limited (APGDC) is a Joint Venture of APGIC and GAIL Gas Limited. APGDC) keen to participate in the business of CGD Networks, Trunk Pipeline and Regional Grids, CNG and import of LNG and its regasifica-

tion.

RLNG Terminal in the Coast of Andhra Pradesh

- ✓ State Government is keen to establish an RLNG Terminal in the Coast of Andhra Pradesh keeping in view the growing gap between the demand and supply of Natural Gas.
- ✓ APGDC got the mandate to establish initially an FSRU Terminal and subsequently a permanent land-based Terminal in the State of Andhra Pradesh.
- ✓ APGDC has initiated the process of finding suitable location and scouting for Strategic Partners who got considerable exposure in establishing LNG importation Terminals including FSRU.

Institutional Arrangements in the State

- ✓ Enacted Andhra Pradesh Infrastructure Development Enabling Act (APIDE Act) in 2001
- ✓ Providing enabling environment for rapid development of physical and social infrastructure
- ✓ To attract private sector participation in presenting bankable projects
- ✓ Inviting private players in designing, financing, construction, operation and maintenance of infrastructure projects in the state
- ✓ Identifying generic project risks
- ✓ Detailing various incentives
- ✓ Detailing the project delivery process
- ✓ Detailing procedures for reconciliation of disputes
- ✓ Reducing administration and procedural delays.

Creation of The A.P. Infrastructure

Authority

- ✓ Entrusted with the responsibility of conceptualizing and identifying projects and ensuring their conformance to the provisions laid down in the AP IDE Act, 2001

Creation of Infrastructure & Investment Department in 2005

- ✓ To achieve development and growth objectives of the State by creating adequate and 'state-of-the-art' infrastructure facilities in the areas of Ports, Airports, Natural Gas
- ✓ To act as a single window agency for clearing all PPP proposals

Creation of Infrastructure Corporation of Andhra Pradesh (INCAP) in 2005 as a service agency to the Department, envisioning "Better growth for Shared Prosperity"

- ✓ To design, develop, promote and monitor infrastructure projects in the State through Public Private Partnerships and superior investor returns.
- ✓ INCAP has been a Transaction Advisor to Government of Andhra Pradesh.
- ✓ Strengthened project structuring skills by entering MOUs with International Finance Corporation (IFC), part of World Bank group and Infrastructure Development Finance company limited (IDFC) a premier Infrastructure group in the country.

Present assignments

- ✓ Advising on the Development of all non-major ports,
- ✓ Advising on the Development of all regional Airports,
- ✓ Development of Andhra Pradesh Bhavan in New Delhi



BHEL to ramp up vendor base

The Bharat Heavy Electricals Limited (BHEL) has proposed to expand its vendor base so that it can regularly receive quality and competitive inputs. It procures materials and components on a regular basis from suppliers spread all over the world. For this purpose, it is backed by a strong supplier-base which is continually updated.

In this regard, the BHEL project engineering and system division (PE&SD) BHEL has invited bids from man-

ufacturing firms across the country and abroad to be new vendors. The dealers could be Indian stockists, traders, distributors, dealers, authorised agents, channel partners, Indian sales offices or subsidiaries of registered foreign principals.

BHEL is engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for the core sectors of the economy. ■

Now plastic parks to come up in Odisha, MP, Assam and TN

The Government of India has approved the setting up of four plastic parks in Odisha, Madhya Pradesh, Assam and Tamil Nadu which manufacturers of telecom, automobile and others will use to source raw material.

“Final approval has been given for setting up of Plastic Parks in Odisha at Siju Village, Kujanga Tehsil, in Jagatsinghpur District and in Madhya Pradesh at Tamot Village, Gohargunj Tehsil, of Raisen District. ‘In principle approval’ has also been accorded to the proposed plastic parks in Assam, Tinsukia District and in Tamil Nadu at Voyalur Village, Ponneri Taluk of Thiruvallur District,” said Minister for Chemicals and fertilizers, Srikant Kumar Jena in the Lok Sabha today.

The Government of India, he said provides grant funding up to 50 per cent of the project cost, subject to a ceiling of Rs 40 crore per project under the scheme.

A major area of concern is the indiscriminate littering of used plastic bags and the absence of organized segregation/cleaning of plastic wastes in urban centers.

“Accordingly, the Ministry of Environment and Forest has notified the Plastic Waste (Management and Handling) Rules, 2011 under the Environment (Protection) Act, 1986. These Rules regulate the manufacture and usage of certain plastic products, and the management of plastic waste,” Jena said.



He pointed out that while the virgin plastic bags are not per-se injurious to health or hazardous to environment as plastic is a chemically inert substance; recycled / coloured bags are.

The government had launched the National Plastic Park Policy in 2010 and modified it in 2013. The policy seeks to organise the plastic manufacturing and processing industry by setting up dedicated plastic parks. States, which did not have special zones for the sector, were asked to earmark land for such parks.

The projects had been short-listed depending on either their

proximity to market or PCPIR zone where raw material availability is preferred. PCPIR- Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) is a flagship scheme of the department of chemicals and petrochemical to develop projects to ensure raw material availability of the petrochemical and plastic industry.

The setting up of plastic parks is certainly timely as most units in the industry belong to the small and medium category. While they produce and process plastic, there is no common hub for them to source raw material. ■

Centre moots MSME varsity in Hyderabad



The government is planning to convert the National Institute for Micro, Small and Medium Enterprises (Ni-MSME) here into an MSME University.

This was announced by Union Minister of State for MSME, K H Muniyappa at the Golden Jubilee Celebrations of Ni-MSME here recently.

He also requested the state government to provide 100 acres of land in the state capital to begin work on the proposed university or evict the land (50 acres) which

was encroached upon by the people in and around Ni-MSME Campus at Hyderabad.

Addressing the gathering, the Minister also requested the Chief Minister to provide land for a tool room at Vishakhapatnam with a budget of Rs 150 crore. If the land is provided within a couple of weeks, foundation arrangements would take off, with no loss of time, he said.

Muniyappa said 18 industrial manufacturing zones are in the pipeline out of which 3 will be established in Andhra Pradesh in

Ongole, Tirupati and Medak.

Participating in the Golden Jubilee Celebrations of Ni-MSME, Chief Minister N Kiran Kumar Reddy who was also the chief guest on the occasion, said that during the past 3 years an estimated Rs 1,40,000 crore worth of industrial proposals were cleared. Among those industrial proposals cleared were those of PEPSI, Cadbury, ISUZU-MISUBISHI and Mahindra & Mahindra.

He also added that despite all the agitations, they have been in a position to provide jobs to nearly 4,20,000 in private sector even since he was sworn in as Chief Minister of Andhra Pradesh.

“We had major power crisis during the last summer. However, this summer there will be no power cuts to the industry because we have well planned measures in place capable of producing 2000 mw power through thermal sources.

Other dignitaries present on the occasion were Joint Secretary, Ministry of MSME, Surendranath Tripathi, Minister for Higher Education, K Pardasaradhi, Joint Secretary Ministry of MSME, Anil Kumar, CEO, KVIC, Mumbai, Uday Pratap Singh, MSME Board Member G V Reddy and Director General Ni-MSME, M Chandrashekar Reddy. ■

Govt mulls preferential treatment for SMEs in IT investment regions

Special consideration will be given to the small and medium enterprises (SMEs) for inclusion in the IT investment regions to come up in Andhra Pradesh.

Despite the difficult economic conditions, the most obvious growth opportunities are in the public sector and among SMEs, said Government of Andhra Pradesh in its detailed project reports (DPR) submitted to the Centre in October on the IT investment Regions (ITIRs) development authority with Andhra Pradesh Industrial Infrastructure Corporation (APIIC) and other stakeholders.

“The ITIR is expected to develop into a key industrial region IT, ITES and Electronic Hardware manufacturing sectors. Special consideration will be given to accommodate Small and Medium Enterprises (SMEs) in the proposed ITIR,” said in a release.

It is expected to attract investments to the tune of Rs 2 lakh crore, generate revenues of Rs 3.11 lakh crore, besides creating direct employment to 1.5 million people over the next 25 years.

“It is estimated that the Indian domestic manufacturing companies can expand the production to USD 100 billion by 2014 and USD 400 billion by 2020 with a very significant contribution to GDP, at 20 per cent for 2020, at par with other economies. The electronic hardware industry aspires to seize 20 per cent of the manufacturing opportunities Indian domestic sector provides,” said the report.

Annual exports from the proposed ITIR are estimated to be about Rs 209,221 crore and Rs 14,401 crore from IT and Electronic Hardware Manufacturing (EHM) respectively, in the year 2035.

“Despite the difficult economic conditions, the local

market is likely to sustain vendor investment, with the SMEs becoming more sophisticated in their demand for customized software and applications to increase business flexibility,” it said.

The report further said that, in the broad domestic software market, telecom, government, manufacturing and retail are key verticals driving demand, with enterprises focusing on improvement of customer-service experience, efficiency and decision support.

It also focused on some of the key challenges by the IT industry in India – maintaining confidentiality of sensitive client data such as bank, health and other

private details; maintaining competitive edge over low cost destinations such as the Philippines, Malaysia, China, Russia; matching the supply of trained manpower to meet the spiralling demand; diversification to new areas of business; infrastructure bottlenecks in areas such as seamless internet connectivity, uninterrupted power and

water supply, transport connectivity; and tax holiday withdrawals.

“Even as global enterprises increasingly look to broaden the base in their choice of countries from a risk mitigation perspective, the size, quality and scale of the Indian labour pool continues to differentiate it from all other countries,” it states.

The major cities in India which house IT & ITes are Bangalore, Chennai, Hyderabad, Mumbai, Pune, Delhi and Kolkata.

However, leading companies are now diversifying and moving delivery centre locations beyond Tier 1 cities to Tier 2 and 3 cities, to achieve better cost competitiveness and less employee turnover.

Some of the key factors for the concentration and





growth of IT/ITeS industry in these cities are- established connectivity to international and other domestic cities; well-established physical and social infrastructure - power, water, telecom etc; well defined real estate laws, regulations on ownership and transfer of property.

Through the ICT Policy, Andhra Pradesh aims to attain leadership in the information economy by developing local enterprise and attracting best-in-class ICT companies and institutions, focussing on development of human resources and infrastructure.

Under the ICT policy some key areas like start-ups and SMEs, IT SEZs have been identified as being critical for providing the right ambience for attracting investments into the State and have been provided incentives.

Both, the ICT Policy 2010-2015 and Electronic Hardware manufacturing Policy 2012-2016 of AP Government provides requisite impetus to the MSMEs in IT, ITES and EHM verticals to setup, grow and provides level playing field to sustain their operations, on

par with their medium and major counterparts in the AP ITIR area.

The growth of the IT sector had fuelled the growth of other sectors as well and has much wider impact on the economy. According to a NASSCOM report, "... every Re 1 spent by the IT/ITES sector (on domestically sourced goods and services) translates into a total output of about Rs 2 in the economy..."

The ITIR policy of the Centre visualizes that the State Government would play the lead role in setting up of the ITIRs. The infrastructure would be created/upgraded through Public-Private Partnerships to the extent possible.

As per the policy, Central Government will provide the necessary viability gap funding for external physical infrastructure through existing schemes. The Department of Electronics and Information Technology (DeitY) is the nodal Department of the Government of India to process proposals relating to setting up of ITIRs. ■



Technology in Banking

The Next Frontier

*The day is not far off when the banks would be viewed more as technology companies offering banking products and services! While bank branches would continue to function, they would reorient themselves as relationship centers rather than routine banking service providers. In the banking industry, technology adoption has graduated from being viewed as a Cost Centre to a Profit Centre. And rightly so! With a growing number of domestic banks now moving towards centralization and begun offering innovatively packaged multi-channel products involving huge investments, IT Governance has become the norm of the day, says **B. Brahma Reddy**, Syndicate Bank.*



B. Brahma Reddy

As the success of banking is now getting increasingly dependent on proper adoption and utilization of technology, IT Governance has assumed great significance. IT Governance, simply put, refers to a subset of Corporate Governance, which is concerned about ensuring appropriate direction and control of IT activities, doing checks and act using performance metrics, key goal indicators, maturity models, etc. This article attempts to evaluate the current status of technology adoption by the banks in India, the trend and opportunities, and the challenges ahead.

gressively started pursuing technology-based service offering soon. However, unlike the two, in case of the public sector banks or PSBs, technology adoption had been dictated more by regulatory legacy. Nonetheless, the rapid strides made by the technology sector and their swift adoption by the competitors since the past decade have forced the public sector banks also to get their acts together and jump onto the tech bandwagon by launching IT-enabled products and services. Today, almost every PSB is in a hurry to be ahead of others in terms of adopting and launching

state-owned banks, the Core Banking Solution (CBS) has been implemented in a phased manner. According to the latest estimates, CBS covers around 90 per cent of the bank branches accounting for nearly 98 per cent of the business volume. Technology - enabled services such as ATMs (including shared ATMs aided further by the National Financial Switch initiative of RBI), Internet banking, anywhere branch banking, credit cards debit cards, etc., are being increasingly offered by these banks. For a record, there are currently more than 16,000 ATMs across the country and 17 million Internet connections with around 30 million users.

Trends and progress

Technology has enabled the banks to conceptualize, deliver, manage and integrate their products in line with the customers' needs. A range of services is now being provided to both retail and corporate customers covering different financial products, sweep-in/sweep-out facilities, channel financing, straight through processing, etc., to name a few. The multi-channel banking has acquired new dimensions, which include third party payments, such as utility bills, through different channels including ATMs (the new ATM technologies come with nearly 150 types of offerings), mobile banking, etc. Further extension of RTGS (Real Time Gross Settlement) in scope and width and the introduction of the cheque truncation systems should raise the customer expectation bar even higher. The day is not far off when the banks would be viewed



A technology-led growth

While the foreign banks operating in India made the beginning, the new private sector banks ag-

new services using the latest technology platform, including mobile banking, Internet banking, CBS, etc. In fact, keeping in view the large branch network of these

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more as technology companies offering banking products and services!

While bank branches would continue to function, they would reorient themselves as relationship centers rather than routine banking service providers. More technology spends are expected in the near future on areas such as implementation of large data centre, expansion of CBS, Business Continuity Plan (BCP) / Disaster Recovery Plan (DRP) installations, IT Security, Electronic Data Interchange (EDI), Storage solutions such as Storage Area Network (SAN)/ Network Access Storage (NAS) to take care of the hundreds of terabytes of electronic data being generated, cheque truncation solutions, compliance to regulatory standards like Basel III implementation (CRM) solutions, data warehouse & data mining tools, channel integration, global treasury, performance monitoring tools, etc. Another area where technology could play a significant role would be M&As (mergers and acquisitions) wherein banks with techno-synergy can combine/amalgamate straight away. An example of the same is the acquisition of Global Trust Bank by the Oriental Bank of Commerce in 2004.

It is pertinent to note that, on an average, IT constitutes about 20 per cent of the total expenditure of the banks. Today, major opportunities lay in the outreach to rural centers through financial inclusion, which could bridge the digital divide between India and Bharat (rural India). With the advent of biometric ATMs, informa-



One of the major challenges had been the requirement to integrate several applications developed on varied platforms for catering to different services over a period of time



tion kiosks with local language and voice facility, call centers, e-marketing of products and services through the bank's payment gateways, etc., this can be narrowed down further.

Challenges

While development in technology has opened up new windows of opportunities for the banks, they have also brought along a whole set of challenges to deal with. One of the major challenges had been the requirement to integrate several applications developed on varied platforms for catering to different services over

a period of time. There is, realistically speaking, no single banking solution available to take care of the enterprise-wide requirements like SAP in the manufacturing sector. In such circumstances, the option seems to be to go for the best-of-the-breed solutions. As the lifecycle of the technological products is becoming shorter, banks have to consider the costs of huge investments made in the hardware and software visa-visa their expected benefits. Unfortunately, the response of the customers to the services offered through the new channels, can be fickle. For example, as per a survey conducted sometime ago by C-Fore for Outlook Money in the four metros and Bangalore, 63 per cent of the respondents used ATMs while 80 per cent went to branches. The utilization of tele/net banking was just around six per cent. The insufficient penetration may be attributable to the lack of awareness, fear, need for personalized services, unrealistic expectations and in some cases (like need for java-enabled mobile handsets), and upgradation cost of equipments with the customer. All these point to the need for appropriate publicity and education exercise. Further, the new dispensations should be carefully planned to prevent channel cannibalization unless otherwise they benefit in the long run.

Security is a major issue in a technology-based, networked environment. As per a study conducted by the Research International, 81 per cent of the surveyed business units agreed

that information/data is a key business asset and 86 per cent perceived impact of crisis caused by failure of systems, etc., as drastic. An insecure system can expose a bank to serious operational, regulatory and reputational risks. While some frauds may require computer expertise, most losses are caused by simple methods like identify theft through social engineering. An analysis of computer-related frauds leads one to the conclusion that most computer criminals are employees of the same organization. Bugs in system or application software also cause insecure environment. While it may be difficult to altogether avoid the limitations caused by the system software, proper support agreement with the application vendor and through user acceptance testing should limit the bug menace.

The rule of 20/80!

In the banking industry, technology adoption has graduated from being viewed as a Cost Centre to a Profit Centre. The line between IT and non-IT functions has got increasingly blurred. The personnel with technical expertise have to know the business and the business personnel should be familiar well with the technology environment.

The limited security-oriented perspective of information technology has given way to wide areas such as value for investment, performance measurement etc. As more and more Indian banks are moving towards centralization and beginning to offer innovatively packaged multi-channel products involving huge



investments, IT Governance has become the norm of the day. Thankfully, it is already being practiced by the top managements of the banks in some form several IT-related subjects finding place in the agenda of most Board meetings.

It would be an understatement to say that adoption of innovative technology would enable a bank to perform its business in an orderly and effective manner, bene-

fitting the customers and, in the process, help it sustain its very growth and survival. This needs to be considered against the fact that nearly 70 per cent of all customer defections are a result of low quality customer service. After all, it is estimated that it costs 5 times more to acquire new customers than to retain the existing ones and that about 20 per cent of the customers contribute to 80 per cent of the profits. ■

No semblance of normality in near future



Industrial View Bureau

State Level Bankers' Committee (SLBC) meeting, held on January 25 in Hyderabad, thoroughly discussed the problems faced by small and medium enterprises (SME) in the context of many hardships prevailing in Andhra Pradesh. Representing the problems of the SMEs on behalf of Federation of Small and Medium Entrepreneurs – AP, its president APK Reddy found no semblance of normality in near future.

“The SMEs are reeling under pressure and it is time for banks to come to their rescue,” he remarked, while speaking in SLBC. Referring to the recent measures announced by the RBI, which were aimed at providing relief to small units by easing access to bank credit, he requested the intervention of Government of India and Finance department to advise the banks to consider re-phasing of MSME loans in the state of Andhra Pradesh.

He took serious exception on non-implementation of the decisions of SLIIC and SLIIC sub-

committee.

“Even after consenting with the decisions of SLIIC and SLIIC sub-committee, during the meetings, the banks are not honouring them,” he lamented.

According to him, the third generation entrepreneurs are worse hit by the political uncertainty and Power crisis persisting for the last four years in the state. He urged the bankers to be discriminative between good and bad defaulters.

“Though the accounts have been classified as NPAs by the banks, they are not willful defaulters but they were forced to become defaulter due to the conditions beyond their control. Due to stringent NPA norms and subsequent invocation of SARFAESI act / filing court cases resulted blocking of funds to both entrepreneurs and banks,” he said.

Representing the woes of his community in the SLBC meeting, APK Reddy called upon the bankers to keep in mind - the plight of about 7.00 lakh families of the entrepreneurs and 40.00 lakh families of their employees in the State.

Meanwhile, SLBC considered

the representations made by FSME- AP and withheld the recovery proceedings against some defaulters. In December, Bank issued possession notice to an entrepreneur- Vanaja Electrical Appliances Pvt. Ltd. Acting on the notice, FSME-AP requested to withhold the recovery proceedings till the commissioned report on techno-economic viability (TEV) is received.

“It was agreed in the earlier sub-committee meeting. But, the bank issued a Possession notice, contrary to the resolutions made during the SLIIC sub-committee meeting. I, on behalf of FSME, appealed the bank in SLBC meeting,” APK Reddy told Industrial View.



The representative of Vanaja Electrical Appliances Pvt. Ltd also appealed Andhra Bank, the lead bank in SLBC, to reschedule its overdrawn Cash Credit limit, besides withdrawing the SAR-FEASI notices.

Acting on the request of FSME-AP and also on the defaulting party, bank authorities agreed to withhold the legal pro-

ceedings till TEV report, contains details from the history of the sector concerned, the machinery and space required along with their capacities, working capital required to the potential challenges, is finished.

Another major issue dealt during SLBC meeting was of GUV Food Products of Rangareddy district. The defaulter requested the

bank not to initiate coercive action. It further informed that claim application for sanction of Investment subsidy is under verification process by the Commissioner of Industries. SLBC resolved it while advising the entrepreneur to be in touch with both the committee and also Commissioner of Industries for early resolution of the issue. ■

Steering Committee of FSME-AP



A Good Samaritan!

Industrial View Bureau

Special Steering Committee, constituted by Federation of Small and Medium Entrepreneurs of Andhra Pradesh (FSME- AP), has initiated an interactive session with the Chairman and Managing Director of Andhra Bank, C VR Rajendran on February 4, in Katriya Hotel- Hyderabad.

The session, which will start at 2 PM and lasts for 4 hours, would be another endeavor of the steering committee to ensure that the interests of the SMEs are taken into account in all legislation that has an impact on them.

Driven by FSME- AP, which is aimed to assist SMEs build the capabilities to respond to changing external environment and exploit new opportunities by becoming market centric, steering committee was successful in playing a key role in preparing a 14- point formula to Reserve Bank of India (RBI).

Coordinating with the then Commissioner of Industries, Karikal Valaven, the 14- point formula was prepared. Since the empowerment and the capacity building of the members of FSME and other SMEs is the main objective of FSME, the 14-point formula was drafted. However, RBI set aside the recommendations.

The Micro, Small and Medium Enterprises (MSMEs), which is been accepted as the engine of economic growth and for promoting equitable Development, have been in doldrums. Despite its agility and dynamism, the sector, which showed admirable innovativeness and adaptability, failed to survive the recent economic downturn and recession, along with the political imbroglio of Andhra Pradesh.

Alarmed over this, many industrial associations have been pleading with the government to provide incentive packages and recommend for rehabilitation by the financial institutions to tide over the crisis. Moved by the sad plight of the MSME sector, Federation of Small and Medium Entrepreneur (FSME-AP) took up the cudgels and started a campaign to transform the ailing sector into a vibrant segment with a revitalization plan.

Like a dedicated and committed soldier, APK Reddy, President, FSME-AP, took the initiative and brought all associations under one umbrella, working with zeal and zest for the past decade. The group met regional and central industrial departments and had given the representations but all such efforts proved futile. It was the moment that gives birth to special steer-

ing committee.

To keep its functioning and focus qualitatively different from other groups and to get the information reached to the members containing Trade Inquiries/ Business opportunities, Market/ country Reports, changes in rules/ regulations, technology etc, FSME constituted the special steering committee. Instead of being governed by 'demands' of the sector, Steering committee is concerned about the 'needs' of the sector. Continuous flow of information is directed to the members through e-mail as well as postal.

Small businesses are still struggling to obtain finance despite lending under a flagship RBI initiative. Steering committee also noticed that as much as 90 per cent of SMEs are self-financed. They require finance and also working capital. But, SMEs are at receiving end. In the scenario, to boost the morale of the SMEs, particularly the customers of Andhra Bank, the lead bank in SLBC, steering committee sought the new dynamic leader, Sri C VR Rajendran, the Chairman and Managing Director, Andhra Bank, for an interactive session.

After taking the reins of Andhra Bank as the CMD, Sri C VR Rajendran in a recent statement promised to provide timely and adequate credit to SMEs for the financial year- 2013-14. It was also announced that Andhra Bank's SME lending for the financial year 2013-14 is expected to post a 25 per cent growth and the sector would continue to be a priority area in the future as well. Steering committee of FSME- AP and CMD of Andhra Bank are like-minded in understanding that the success of SMEs in any country depends on the partnership between the banks and the entrepreneurs.

Therefore, the CMD of Andhra Bank, Sri Rajendran, who is immensely concerned of the woes of SMEs and he is committed to lend a helping hand to bail out ailing SMEs to a possible extent, is so benevolent to accept our invitation to take part in the interactive session with the Small Medium Entrepreneurs, who have been associated with Andhra Bank.

Speaking to Industrial View on behalf of the Steering Committee, APK Reddy called upon the SMEs to make use of this opportunity to get their doubts clarified, problems represented and woes addressed. He also requested the fellow SMEs to get their representations ready in the form of memorandums well in advance for a smooth redrassal in the session in Katriya Hotel & Towers, Hyderabad on February 4.



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