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*The views expressed in the journal are those of the contributors and not necessarily of  
the Council of State Industrial Development and Investment Corporations of India.*



## FROM THE DESK OF THE EDITOR

### INFRASTRUCTURE SECTOR - KEY TO ECONOMIC GROWTH

The importance of infrastructure for sustained economic development is well recognized. Infrastructure is the stock of basic facilities needed for the functioning of a country or region and includes telecommunications, power, ports, civil aviation, railways, roads, bridges, and similar public works, i.e. the set of basic and essential services/facilities which enable development to occur and through which goods and services are provided to the public. A key driver of the economy, physical infrastructure through its backward and forward linkages facilitates growth; social infrastructure including water supply, sanitation, sewage disposal, education and health, which are in the nature of primary services have a direct impact on the quality of life. Socio-economic development can be facilitated and accelerated by the presence of social and economic infrastructures. Inadequate and inefficient infrastructure leads to high transaction costs which can prevent an economy from realising its full growth potential regardless of the progress on other fronts. The quality of infrastructure is largely a reflection of the performance of the economy. The growth of this sector is also necessary to create employment opportunities, mobilise resources and generate revenue for sustained economic growth.

India's infrastructure requirements have undergone massive changes in the past decade owing to the rapid growth rate of the Indian economy and fast paced urbanisation. However, during this period, infrastructure growth has not kept pace as this sector was not paid due attention during the last 10 years. At the beginning of the millennium a decade ago, the then Government of India had launched two ambitious infrastructure projects - *Golden Quadrilateral project* and *Pradhan Mantri Gram Sadak Yojana* which have not been taken forward during the last ten years. During this period, most infrastructure projects have been stalled not because of financing issues, but other administrative and regulatory hurdles.

Power projects have been stalled because of lack of supply of fuel and uncertainties with regard to coal pricing and power tariffs. A number of other projects are stuck because of delays in land acquisition, environment and forest clearances.



**V.S. RATHORE**  
Secretary General, COSIDICI

Time-bound creation of world class infrastructure in the country enjoys priority and intense focus of the present Government. The *Twelfth Five year plan (2012-2017)* envisages an investment of US \$ 1 trillion (about Rs.60 lakh crore) in the infrastructure sector, of which 50% is expected to come from the private sector in the form of debt and equity. Creating a conducive atmosphere to encourage investments in infrastructure projects by providing an open and transparent approval mechanism, cutting short bureaucratic procedures, clearing legal hurdles in the form of problems related to land acquisitions and the like will boost investment in this sector. Investments into infrastructure projects will result in FDIs, which in turn will help reduce current account deficit and will have a cascading effect on growth and the much needed impetus on manufacturing and service sector, thus enabling creation of more jobs and reducing unemployment.

Infrastructure sector has got a huge facelift in the Union Budget 2014. Some of the key recent initiatives and series of measures by Government of India for infrastructural development, as presented in the Union Budget 2014, with plans to raise necessary resources are as under :-

- ◆ The Railway Budget 2014 has proposed to set up a *Diamond Quadrilateral Rail network* connecting major metros apart from announcing a bullet train. The Rail Budget has also proposed to attract private domestic investment and FDI in infrastructure.



- ◆ The *Shyama Prasad Mookerjee Rurban Mission* for rural development aims at urbanisation of rural areas by creating necessary civic infrastructure and associate services. This unique model will lead to economic development in rural areas/villages and generate employment.
- ◆ To ensure uninterrupted power supplies in rural areas, Union Budget 2014 has announced *Deendayal Upadhyaya Gram Jyoti Yojana* and earmarked Rs 500 crore for the scheme. In addition, the Budget allocates Rs 14,389 crore for *Pradhan Mantri Gram Sadak Yojna (PMGSY)*.
- ◆ The proposed strengthening and revival of the Special Economic Zone (SEZ) will not only revive investors' interest to develop better infrastructure, but also make the SEZs effective instruments for export promotion, industrial production and employment generation.
- ◆ The Indian Government has facilitated 100 per cent FDI under the automatic route for port development projects. A 10-year tax holiday has been allowed to enterprises engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.
- ◆ Some of the key infrastructure development MoU signed by Government of India with international organizations are :
- ◆ The UK has outlined three key areas that will give a boost to bilateral relations with India, focusing on infrastructure development, education, research and development (R&D) and foreign policy.
- ◆ France plans to give a •1-billion credit line to India to fund sustainable infrastructure and urban development.
- ◆ India and China have formalised an agreement to take forward the establishment of China-dedicated industrial clusters in India, with the objective to enhance Chinese investment in infrastructure and manufacturing.



#### Public-Private joint efforts :

Infrastructure projects are capital intensive with long gestation periods and require strong policies and structural flexibility to enable capital commitment from the private sector and is primarily driven by the Government's initiatives. Many advanced economies and fiscally constrained developing countries have developed their physical infrastructure successfully either through private participation or through public-private partnership (PPP) model. In India, private participation in the process of infrastructure development has received lacklustre response. While private telecom services is a success story in India, the PPP constitutes a miniscule share in overall infrastructure building despite initiation of various policy adjustments and sector-specific reform programmes. The present Government is instituting policy frameworks for encouraging and attracting private investment. The major Public/Private Sector Players in the infrastructure sector in India are :

#### Public Sector :

- ◆ NTPC, NHPC are the electricity/power sector giants in the country, while BHEL provides heavy power equipment/infrastructure.
- ◆ The National Highways Authority of India (NHAI) in conjunction with the State's Public Works Department (PWD) are the main players contributing to the road enhancement initiatives.
- ◆ Indian Railways has one of the largest rail network in the world, moving a majority of passengers and goods traffic in India.

- ◆ The Airports Authority of India along with private and foreign investors are involved in setting up/upgrading airports throughout the country.
- ◆ BSNL is the telecom giant in the country.

#### Private Sector :

- ◆ Larsen & Toubro (L&T) is the country's major construction and engineering company and focuses primarily on building and developing infrastructure.
- ◆ GVK Power & Infrastructure Ltd. is a leading Indian conglomerate with diversified interests across various sectors including energy, resources, airports, transportation, hospitality and life sciences
- ◆ Other private sector participants include the Reliance Infrastructure, Punj Lloyd Group, Nagarjuna Construction, etc.
- ◆ Airtel and Vodafone are the key players in the telecommunication sector.

#### Conclusion :

Investment in infrastructure has a multiplier effect on different sectors of the economy. Infrastructure is crucial for propelling India's overall development but we have long way to go in building and creating world class infrastructure, be it in terms of

roadways, bridges, airports, power, metro-rail, urban transport, water supply, health, education, logistics and the list goes on. Infrastructure bottleneck has been a serious concern in India coming in the way of robust pace of economic progression. The future progress of this sector is crucial to sustain the country's expansion and long term prosperity.

We need to see infrastructure groundwork taking place on a massive scale in India for which concrete efforts of Government of India and the big industrial houses is needed. The link between infrastructure and development is not a one time affair - it is a continuous process and progress in development has to be preceded, accompanied and followed by progress in infrastructure, if we are to fulfill our declared objective of self-accelerating economic development. World class infrastructure holds the key for India to achieve rapid and sustained growth of the order of 7 – 8% p.a. and become a developed nation on a sustainable basis.

  
(V.S. RATHORE)

■■■

*If I were given the opportunity to present a gift to the next generation, it would be the ability for each individual to learn to laugh at himself.*

**CHARLES M. SCHULZ**

## EMERGING MARKETS AND INTERNATIONAL FINANCIAL INSTITUTIONS

*\* Alok Sheel*

The World Bank and the International Monetary Fund (IMF) were set up after the Second World War following an agreement at an international conference held in Bretton Woods in the United States. These International Financial Institutions (IFIs) are, therefore, better known as the Bretton Woods Institutions (BWIs).

The objective of the World Bank was to channel American resources into the reconstruction of war ravaged Europe. The objective of the IMF was to stabilize the International Monetary System in disarray from the time of the Great Depression of the 1930s with the breakdown of the Gold Standard.

Following the rapid reconstruction of Europe and the floating of major Reserve Currencies against each other after the US went off the gold standard in 1971, the World Bank and the IMF began to mostly cater to the needs of developing countries.

The perceived wisdom was that these countries suffered from a chronic shortage of capital, leading to two separate structural deficits, namely, a current account deficit, that enabled them to access foreign savings and second, a savings deficit with their governments running large fiscal deficits to finance big developmental agendas necessitating large public spending on building physical and social infrastructure. Fiscal deficits frequently spilled over into current account deficits. These twin deficits, of domestic savings relative to investment and public savings relative to total savings, were considered the chief constraints of growth in the developing countries.

Since the private capital flows to developing countries were limited on account of the risks involved, they were overly reliant on soft but 'tied' bilateral aid and multilateral loans through the World Bank and regional IFIs like the ADB, IADB and AfDB, for covering their savings-investment deficit. The World Bank provided fiscal support for investment in infrastructure, both physical and social.

Although, most of this funding requirement was in the domestic currency and the World Bank funding in hard currency was not cheap. Once the exchange rate risk was factored in the developing

countries they preferred to access these funds rather than borrow domestically as this filled a critical gap in their balance of payments (BOP). The IMF complemented this through provision of emergency BOP support since developing countries were vulnerable to sudden capital stops. Following the Gulf War of 1991, India's foreign exchange reserves plummeted to just \$1 billion, triggering a BOP crisis with the loss of international confidence in its ability to service and repay external debt as its foreign currency credit ratings were downgraded. India consequently entered into a financing arrangement with the IMF with stiff 'conditionalities', compelling it to completely restructure and liberalize its inward looking economic policies.

At that point of time, the chief focus of the external finance wing of the Department of Economic Affairs (DEA) was the mobilization and management of scarce foreign exchange channeled through bilateral and multilateral channels, and keeping external commercial borrowings on a tight leash so as to maintain its limited market access to international financial markets. The exchange rate was administered, and there was a separate foreign exchange budget through which the allocation of scarce foreign exchange was prioritized. Indeed, in view of the very substantial foreign currency requirements for import of fossil fuels, there was a separate POL (Petroleum Oil Lubricants) division in DEA. The focus of the Foreign Trade division was conservation of foreign exchange and import substitution. The most critical divisions in DEA were the Fund Bank (FB) that tried to maximize hard currency borrowings from the World Bank, the ADB and the IMF, the Bilateral Aid Division that canvassed assistance from individual developed countries, and External Commercial Borrowings (ECB) that formulated policies, and gave approvals, for borrowing from external debt markets within tightly controlled caps. In view of the closed capital markets, foreign investment inflows were non-existent.

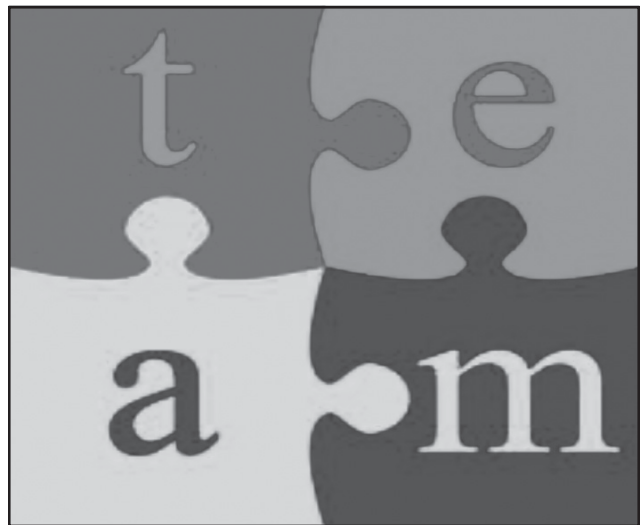
Following the liberalization and opening up of the Indian economy in the wake of the 1991 BOP crisis, foreign exchange is no longer a scarce resource. The Foreign Exchange and POL Budgets have passed into history. The management of external

commercial borrowing has been delegated to the central bank, even as the Foreign Investment Division had risen to prominence in DEA. The Foreign Trade division has lost its importance with trade policy increasingly dominated by the Commerce Department negotiating with the WTO. The Bilateral and Multilateral divisions continue to exist, but they have lost their former importance along with that of foreign aid. They now need to adjust to the winds of change and reinvent themselves.

These changes reflect tectonic changes in the wider global economy in recent years. Since the end of the last century, growth in major developing countries, now known as 'Emerging Markets', accelerated as they opened their economies and increasingly relied on external demand as their engine of growth and started running huge current account surpluses. They became net savers, exporting rather than importing capital. This resulted in a large accumulation of foreign currency reserves. Even those emerging markets, such as India, that continued to have a savings investment gap saw large inflows of capital, far in excess of their absorptive capacity, enabling them to accumulate a war chest of reserves that hedged them against the more damaging effects of sudden stops. As a result, the IMF began to run out of major clients.

The decline in IMF lending was a demand side problem, as private capital flows plugged the foreign currency deficits of developing economies, except low income countries and conflict ridden/failed States from where the private capital shied away. In case of World Bank, however, the decline in lending was a supply side problem, as for some reason, it gradually withdrew from infrastructure lending and its resources failed to increase in tandem with the rising developmental needs of fast growing emerging markets.

It is not very clear why exactly the World Bank shifted its focus from infrastructure to directly targeting poverty through social sector and livelihood schemes. From an interview given by Shri Mahbub Ul Haq (Director of the World Bank's Policy Planning Department in the 1970s and Founder of the Human Development Report) to Robert Asher on December 3, 1982, as part of the World Bank's Oral History project, it would appear that this was driven by concerns that the gains from growth were not trickling down as inequality in developing



countries was increasing. Direct intervention through social sector and livelihood schemes to increase the incomes of the poor by improving their productivity was required. These concerns persist to this day, of course, as they also underlie the shift in Indian economic policy under the previous government from growth to social safety nets and redistribution.

The focus on durable productivity shifted as the ticket out of poverty was spot on, as poverty was another name for low labour productivity. But as India is finding out now, a deficit in physical infrastructure lowers the productivity of capital, while a deficit in social infrastructure lowers the productivity of labour. Livelihood schemes may be effective as social safety nets, but they are unlikely to be a durable ticket out of poverty, as small producers find it difficult to remain competitive in an industrialized and globalized world. That battle was lost long ago with the Industrial Revolution. Indian growth has fallen in recent years not because of a sharp fall in investment, but because of a sharp decline in the output from this investment on account of growing infrastructural and governance bottlenecks.

The resource crunch in the BWIs was magnified as advanced economies, the major shareholders and contributors to BWI resources, started ageing, growing more slowly, and running higher fiscal deficits. They were increasingly unable and also unwilling to expand the resources of the BWIs as they felt that this would mostly be eventually channeled into fast growing developing countries—the emerging markets. India has always had a huge pipeline of projects which World Bank lending has been unable to saturate. However, the resources



of the BWIs were considered adequate to cover the financing needs of chronically crisis-ridden, low income developing countries.

The recent global crisis response under the aegis of the G 20 suddenly expanded the role and resources of the IMF. IMF's resources were trebled to augment the multilateral war chest to address BOP crisis in a world characterized by increasingly large and volatile capital flows. Since the larger Emerging Markets had accumulated large reserves, they were unlikely to need bailouts which were now required in large amounts in some advanced economies, especially in peripheral Europe. Indeed, the EMEs now became contributors to IMF resources. The 'big bazookas' for bailouts are now with the United States that prints the premier global reserve currency – the dollar – and major EMEs, in particular China, that have accumulated huge foreign currency reserves, rather than with the IMF.

World Bank lending also expanded modestly, but temporarily during the crisis, ostensibly to partly plug the investment gap left by the temporary withdrawal of private capital (both domestic and foreign). The G 20 however missed a trick by not substantially increasing the borrowing capacity of the World Bank through adequate recapitalization. This could have enabled it to effectively intermediate the global savings glut and channel it to sustain high growth rates in developing countries. This could have provided the engine of growth to pull the global economy out of the low growth trajectory into which it has sunk with demand destruction in advanced economies in the wake of the global financial crisis. Therefore, while there was a welcome re-orientation towards infrastructure financing in the World Bank under some nudging from the G 20, it was not given the resources to leverage this re-orientation effectively.

Where do developing countries stand today in relation to the Bretton Woods Institutions?

On the World Bank side, several developing countries, including India, would continue to remain the biggest borrowers because of their large developmental, especially infrastructural requirements. It is, however, not clear why EMEs with large amounts of foreign currency reserves need to borrow from IFIs for financing what is mostly expenditure in domestic currency and adding to their foreign debt that makes them more vulnerable to external shocks. The surge in capital flows to developing countries is basically of a private nature,

even as several developing country governments continue to be resource strapped for public investment in physical infrastructure and social services. However, they can achieve their developmental objectives by taking on domestic debt from which they inflate their way out if push comes to shove. There could still be a critical role for IFIs in co-coordinating and part financing cross border infrastructure projects that would give neighbouring sovereigns, otherwise hostile to each other, the confidence to collaborate, and wary investors the confidence to invest.

Be that as it may, the hard reality is that the scale of World Bank borrowing relative to domestic sources is expected to remain marginal in major EMEs. This is because the G 20 has shown little appetite to augment World Bank resources on the scale of the IMF. They are of the view that these would mostly flow to the bigger emerging markets that are also growing fast, are fiscally much better placed than the traditional donors, and have adequate reserves. On the other hand, EMEs, including India, are unlikely to be significant contributors to the resource mobilization efforts of the Bank as they have huge developmental needs of their own. It might be difficult for governments in advanced countries to persuade their domestic constituencies why substantial commitments are being made to the World Bank when large amounts are needed for investment to bring their own physical and social infrastructure on par with advanced countries.

The same argument also applies to their contribution to IMF resources, especially since these resources are now being used to bail out developed Euro Zone countries that have much higher per capita incomes than the fast growing emerging markets. India has built up large foreign currency reserves that insulated it from the reversal in capital flows during the height of the global financial crisis even though the magnitude of this external shock was greater than in the early nineties that had led to a major BOP crisis. Over the longer term, net capital inflows into India are expected to exceed the current account deficit (with oil prices as the critical balancing item tipping the scales between deficit and balances). India may expect to be a major recipient of capital inflows as it has been in the recent past. The short point is that India is more likely to be a net contributor to IMF's resources than a net borrower in the future on account of its substantial reserves. It has already committed to

contribute a sizeable amount to IMF's resources over the last few years along with several other Emerging Market economies.

Strategically, therefore, most big developing countries, including India, can be expected to stand on a very different footing in the two BWIs. Governance issues, such as parity in voting power and senior executive positions, are no doubt of utmost importance to all developing countries, but their governance concerns are on a much stronger footing in an organization where they may well be amongst the major contributing countries, than where they would remain amongst the biggest borrowers. The IMF needs serious governance reforms to make it more evenhanded as also give confidence to EMEs to contribute more resources through a greater sense of ownership.

In the case of the World Bank, therefore, most developing countries would continue to have more of a country specific or bilateral focus on sanction of new projects, disbursement and project management. In the case of the IMF, however, they would need to be more multilaterally engaged as their concerns shift to the kind of instruments used to raise resources, where these resources are deployed for their efficiency and their safety, global surveillance and governance. So far, the surveillance and policy advice structures of the BWIs were focused on developing countries because they were the main borrowers. This may however, need to change in the case of the IMF, as European countries now dominate IMF's loan portfolio. Stalled growth, BOP problems, fiscal deficits and unsustainable build-up of debt, traditional developing country issues may need to be monitored in advanced economies too. They are now as much in need of structural adjustment and reform as developing economies. This re-orientation, however, is unlikely unless the governance structure of the BWIs, currently dominated by developed economies, becomes more even handed through major shareholding reforms. The BRICS, including India, have started

raising these strategic issues in the G 20. One way of arriving at a consensus is to have the governance of these institutions mirror that of the mutually acceptable G 20. EMEs, however, also need to be more engaged with the issues of surveillance, early warning and global and regional growth projections than what they are at present, as all these have a bearing on the requirement and deployment of the Fund's resources to which they are becoming major contributors. This focus should cover both the developed and the developing countries.

To summarize, the Bretton Woods institutions appear frozen in time because their governance structure has not adjusted to the tectonic changes in the global political economy. Their resources ceased to grow meaningfully once the European project was complete. The voting share of BRICS, the rising economic power, is now only about half their share in global GDP at market prices and just over a third at purchasing power parity. The OECD (Organization for Economic Co-operation and Development) countries' unwillingness to share ownership with emerging markets is matched by their unwillingness to expand their resources on account of growing fiscal stress from ageing and declining growth.

As the Bretton Woods twins unravel, emerging markets are endeavoring to put in place, the alternative institutions to intermediate their own excessive savings, such as the Chiang Mai initiative, the Asian Infrastructure Investment Bank in East Asia, the New Development Bank and the Contingency Reserve Arrangement of the BRICS. These would replicate the roles of both the IMF (Chiang Mai and the Contingency Reserve Agreement) and the World Bank (New Development Bank and the Asian Infrastructure Investment Bank). Whether the rising economic powers can achieve the geopolitical cooperation necessary to collaborate in the manner the US and Europe did in the post war period however, remains to be seen.



***\* Courtesy: Yojana. The author is an IAS officer with over thirty years of experience in handling development and macro-economic policy issues ranging from the cutting edge as administrator, as well as senior policy maker and multilateral interlocutor on economic policy issues on behalf of India in the G20. He has held several important assignments under the governments of Kerala and India, and has served as Secretary, Prime Minister's Economic Advisory Council.***



## SUCCESS STORY OF UNITS ASSISTED BY TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LTD. (TIIC)

**Seshasayee Paper and Boards (SPB) Limited** was established in 1960 under the leadership of Sri.S.Viswanathan, a freedom fighter turned Industrialist, on the banks of river Cauvery in Pallipalayam, Erode. The company had a technical collaboration with Parsons & Whittmore of the U.S.A., The State Government encouraged the company by participating in its equity through **Tamil Nadu Industrial Investment Corporation Limited (TIIC)**, then known as Madras Industrial Investment Corporation. The Government's share of Rs. 1.00 crore amounted to nearly 28.5% of the total share capital. SPB commenced operation with the licensed capacity of 20,000 tonnes in the year.

Today SPB has grown in strength to its current installed capacity of **1,15,000 tonnes**. It operates an integrated pulp, paper and paper board Mill and produces a wide range of products such as printing and writing papers, packing and wrapping papers and specialty papers. SPB's exports nearly 15% of its production and it is a significant exporter in the Indian Paper Industry. Due to its excellent export

performance, SPB has been awarded '**Golden Export House**' status.

SPB is the flagship company of the '**SPB - E S V I N GROUP**', consisting of Ponni Sugars Limited, a leading sugar mill, High Energy Batteries (India) Limited, Esvin Advanced Technologies Ltd (bio-technology), and SPB-PC Limited (consultancy).



### Role of TIIC :

TIIC has been one of the valued and continued stakeholders of Seshasayee Paper and Boards Limited, since birth of this Paper Mill. Through its Nominee Director, TIIC has been providing valuable advice to the Board.



## QUESTIONS OF CYBERQUIZ~51

Q.1 If such names as "Semicondcutor Triode", "Solid Triode", Surface States Triode", Crystal Triode" and "lotatron" were considered, then what name was ultimately chosen for this crucial electronic circuitry component ?

[a] Diode; [b] Triode; [c] Transistor; [d] Resister.

Q.2 The term, QWERTY refers to :

[a] A standard for CD-ROMs; [b] The traditional keyboard layout; [c] A standard for data compression; [d] The standard CPU cabinet design.

Q.3 What is the measure of the amount of light radiated by a computer monitor ?

[a] Luminace; [b] Pixel; [c] Lux; [d] Watt.

Q.4 In the comnputer industry, what is the practice of buying various parts of a computer from the best sources known as ?

[a] Assembly shopping; [b] Window shopping; [c] Body shopping; [d] Body hunting.

Q.5 Gyricon is a type of electronic paper being developed by which company ?

[a] General Electric; [b] Philips; [c] Lucent; [d] Xerox.



*For Answer see Page No. 12*



## THE MISSING MIDDLE IN INDIAN MSMEs

*\* Tamal Sarkar*

The “missing middle” is a near-continuous phenomenon in the history of Indian MSMEs. According to the fourth census (2006-07) of the 11.5 million manufacturing MSMEs, as many as 99% are micro and less than 1% are small and medium. Although MSMEs were defined differently during the fourth and the third (2001-02) census, if we broadly equate tiny with micro and small-scale industries with small and medium, the share of small and medium units has hovered at around 1-2% during this period.

At such a marginal level, it is not the numbers, but the reasons for this sub-optimal result and the policy initiatives that could give a big push to this frontier that are the moot issues. In a recent three-country study (of India, Egypt and the Philippines), the German Development Institute (Bonn) came out with some interesting results. They argued that entrepreneurial success depends on the enterprise (age, size, sector, informality) and the entrepreneur (human capital, motivation), support of the personal and professional networks, and a conducive business environment. While finance is an issue when it comes to the need for expansion, marketing is a more important issue, with entrepreneurs managing finance mostly through the market. Interestingly, it was also found that growth-oriented MSMEs showed such behaviour early.

Moving away from the traditional thinking—of assigning such responsibilities to the government, i.e. a unidirectional approach—we propose a two-pronged approach of assigning responsibilities to both the government and the private sector, based on their respective comparative advantages. Strategically, this can start as a small-lag unbalanced growth, modeled to naturally pull followers for its own gain. Second, business education is most effective when there is a business need and not necessarily when there is a subsidy. Even smallest enterprises understand

and learn faster when there is a business initiative attached to that learning. Hence, while the government may continue to pay attention to



promoting a conducive business environment and taking care of the usual developmental issues, a major portion of the task—upgrading the enterprise and entrepreneurial characteristics, and building the professional network—should be assigned to the private sector with market-linked incentives.

First, the government should target the creation of MSMEs of excellence by, say, doubling or even trebling the number of small and medium enterprises during the current Five-Year Plan. But not all sectors are equally supportive of growth and not all MSMEs have equal propensity to grow. One can easily identify industrial or artisanal clusters of excellence and target those. Targeting clusters of excellence is only a strategy to create a growth cycle that will lift other centres of production.

Second, while on the one hand champion clusters should be linked through subcontracting by organising buyer-seller meets (BSMs)—with suitable stakeholders within these clusters as also other follower clusters—the champion clusters should be linked with the clusters outside India as well.

Third, growth must be rewarded. We definitely recognise excellence but only that of a few—say, just the top three. Here the thinking must get innovative. Lakhs of units that will grow and graduate from being micro to small, from small to medium and from medium to large by the existing definitions should be supported by providing tax



benefits. They can also be supported in generating and maintaining additional employment/exports for a continuous period of, say, 3-5 years.

Four, the units should be motivated for spreading learning and enhancing not only their own turnovers but also that of supporting units. The more a unit models its growth on specialising, i.e. carrying out one function and outsourcing the others to specialised producers in a value chain—thereby creating champions down the ladder—the more it should be encouraged with tax benefits, based on the number or scale of the units that it promotes.

Five, entrepreneurship training must evolve as well. Such training is, so far, mostly confined to “starting a business”. We need to go a step forward, towards accelerating a champion. Those units that will qualify for benefits, either due to creation of growth nodes and/or moving up the levels (from micro to small or small to medium) of the enterprise scale, should be given training and exposure to high-value inputs, including “going international”, technology transfers, innovation, M&As, fund-raising through national and international routes, etc, at appropriate levels.

■■■

***Courtesy :** The author is Director, Foundation for MSME Clusters, New Delhi.*

## ANSWERS OF CYBERQUIZ~51

### 1.[c] **Transistor :**

As per a Technical Memorandum dated May 28, 1948 of Bell Telephone Laboratories, where it was invented, the name is an abbreviated combination of the words “transconductance” or “transfer”, and “resistor”.



### 2.[b] **The traditional keyboard layout :**

The term comes from the first six letters seen in the keyboard's top row of letters.

### 3.[a] **Luminance :**

According to Wikipedia, Luminance is used in the video industry to characterize the brightness of displays. In this industry, one candela per square metre is commonly called a “nit”. A typical computer display emits between 50 and 300 nits.

### 4.[c] **Body Shopping :**

“Body Shopping” also means sending IT professionals overseas to staff teams at client sites.

### 5.[d] **Xerox :**

Lucent and Philips are also developing their own versions of e-paper. Data can be downloaded to the ePaper which can display images and text in black, white and a range of grey shades. It is useful in e-books, e-newspapers, portable signs, and foldable and rollable displays.



## ACTIVITIES OF COSIDICI

**COSIDICI National Award 2014** function was held on November 25, 2014 at 'Al Saj Convention Centre', Kazhakkottam, Thiruvananthapuram (Kerala) to recognise outstanding and meritorious performance of entrepreneurs involved in development of Industry. The Chief Guest was Hon'ble Minister for Industries and IT of Kerala, Shri P.K. Kunhalikutty. COSIDICI National Award were given to 23 'Outstanding Entrepreneurs' whose profiles are as under :

### RAJASTHAN FINANCIAL CORPORATION {RFC} JAIPUR M/S GOPINATH HOSPITAL

A Medical Service/Multi Speciality Hospital established by Smt. Mamta Agarwal. She is a first generation entrepreneur and started this 50 bedded hospital with total assistance amounting to Rs.205.36 lakhs from Rajasthan Financial Corporation (RFC), Jaipur. It has been conferred with NS-EN ISO 9001:2008 certification.

The hospital is on the panel of many multinational/reputed companies of the area like - Gillete India Ltd. (P&G), Saint Gobain India Ltd., Honda Cars India Ltd., Honda Motorcycle & Scooter Ltd., Shriram Piston & Rings Ltd., Federal Mogul India Ltd. & Hero Moto Corp. etc. It organizes Free health check-up camps for community & free distribution of medicines/ charity treatment for poor ones/unknown of the area.

The Hospital Director has been awarded by the Governor of Haryana and as well as by the Governor of Rajasthan in Past. The hospital has a tie-up for Bio waste Disposal with Hoswin Incinerator, Alwar for disposal of its Bio-Waste.

Its future plan is to expand to 200 bed capacity Multispeciality Hospital with further assistance from Rajasthan Financial Corporation (RFC).

### M/S GOPINATH HOSPITAL



SMT. MAMTA AGARWAL



DR. NIRAJ AGARWAL

### RAJASTHAN FINANCIAL CORP. {RFC} JAIPUR M/S S.B.MINERAL INDUSTRIES

Established by Shri Sudhir Sehgal as a partnership firm in the year 1994 with assistance from Rajasthan Financial Corporation (RFC), Jaipur of Rs.208.81 lakhs. The unit is located in Udaipur and is engaged in Mineral Grinding activities.

The sales of the unit amounted to Rs.459.00 lacs in 2014. Shri Sehgal also has other businesses like Hotels, Real Estate etc. at Udaipur. Thus he is contributing towards industrialization and employment generation in the State. He is planning to set up a new project for manufacture of Plaster of Paris at Village Gudli, Distt. Udaipur.

### M/S S.B.MINERAL INDUSTRIES



SHRI SUDHIR SEHGAL



### JAMMU & KASHMIR STATE INDUSTRIAL DEVELOPMENT CORP. {J&K SIDCO} SRINAGAR M/S LELAFE IT SOLUTIONS PVT. LTD.

Founded by Shri Shameem Shah, CEO and Chief Technology Officer in the year 2011 with assistance from Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO). Shri Shah has a Master's Degree in Computer Information Systems. He started the Company with only one employee but now employs 46 people.

LeLafe is an IT services and software firm that specializes in providing Software Development, Support & Consulting Services to overseas clients by leveraging technology improvement techniques, innovative software, sub-contracting and IT talent augmentation. In its 3 years journey, LeLafe IT Solutions has developed software solutions for leading insurance, financial and educational corporations of USA and UK.

It has introduced Kashmirsearch.com - Kashmir's own local search engine with comprehensive authentic information and content regarding almost everything about Kashmir. LeLafe is also involved in the area of e-commerce and business analysis.

The company derives its competitive advantage from its diverse technology & domain expertise. It is helping SMEs which do not have the budget to maintain their own IT Team.

### M/S LELAFE IT SOLUTIONS PVT. LTD.



SHRI SHAMEEM SHAH

**JAMMU & KASHMIR STATE INDUSTRIAL  
DEVELOPMENT CORP. (J&K SIDCO) SRINAGAR  
M/S ALBA POWER PVT. LTD.**

Established by Shri Nisar A Baba about 17 years ago with assistance from Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO). The Company manufactures Power distribution Transformers, Servo Stabilizers, UPS System and Inverters.

The unit has developed its own technology for Vacuum Impregnation of the leg coils used in HT Transformer. The Company is supplying Power transformers to not only Jammu & Kashmir but also to UP, Delhi and Jaipur Vidyut Vitran Nigam in Jaipur.

From a humble turnover of Rs. 20 lakhs in 1997-98 Alba has achieved a turnover of Rs.10 crore in the previous FY. Shri Baba is the recipient of National Award 2010 and India SME 100 Award 2012.

**M/S ALBA POWER PVT. LTD.**



**WEST BENGAL FINANCIAL CORPORATION  
M/S GLAZE INFRASTRUCTURE PVT. LTD.**

Established by Shri. Harish Ganeriwal and financed by West Bengal Financial Corporation M/S Glaze Infrastructure Pvt Ltd. is a leading manufacturer & supplier of toughened glass, laminated glass and insulated glass.

They provide advanced glazing solutions fulfilling the needs of modern green buildings. They make

- i. Toughened Glass
- ii. Insulated Glass/ DGU (with both panes toughened)
- iii. Laminated Glass

**M/S GLAZE INFRASTRUCTURE PVT. LTD.**



**TAMILNADU INDUSTRIAL INVESTMENT  
CORPORATION LIMITED (TIIC), CHENNAI  
M/S EXCEL DIE CASTINGS**

Established by Shri S. Nargunam in 1986. He is an Electrical Engineer by profession and is a first generation entrepreneur. He took financial assistance from Tamilnadu Industrial Investment Corporation Limited (TIIC). The unit is involved in Manufacturer of Pressure Die Casting Components for Automobile Industry.

The unit has achieved a commendable growth and its sales turnover in the previous year was Rs.15 crore.

M/s Excel Die Castings has been conferred with ISO/TS16949:2009 third edition certification and has been awarded Model Line Award for best foundry practice from M/s Hyundai Motor India Limited.

**M/S EXCEL DIE CASTINGS**



SHRI S. NARGUNAM

**TAMILNADU INDUSTRIAL INVESTMENT  
CORPORATION LIMITED (TIIC), CHENNAI  
M/S JAI NIDHI AUTOMATION**

Ms. K. Bharathi started Jai Nidhi Automation in the year 2011 in Coimbatore with financial assistance of Rs.157.45 lakh from TIIC, Chennai. The business was originally established by her husband Mr. G. Karthikeyan who was running M/s Fitol Cadet - a CNC machining center he met with a road accident in 2010 where he suffered a brain injury and was not in a position to run the factory. Ms. Bharathi took over her husband's business and started a new Company i.e. Jai Nidhi Automation where JAI - Stands for Victory; NIDHI - Stands For Her Daughter and Money and AUTOMATION - Stands For Technology in Mechanics. Her will power, confidence, hardwork and her family are the main reasons for her remarkable success.

Initially started for machining of automobile and Valve components for many leading companies in Coimbatore. M/S Jai Nidhi entered into manufacturing sector by starting a pressure die casting unit for manufacturing automobile and other aluminum components in December 2013. The company was selected as a direct vendor to few customers and has entered into long term business agreement for manufacturing Brake valve components. The company runs in three shifts with a staff of 90 employees. It is a supplier to major companies like KAMCO, BHEL, and WABCO etc. The unit has been conferred with ISO-9001:2008 and TS/914-2009 certification. Ms. K. Bharathi is in the process of establishing an Aluminium Pressure Die-cast unit for manufacture of Auto components.

**M/S JAI NIDHI AUTOMATION**



MS. K. BHARATHI

## EDC LIMITED {GOA} PANAJI M/S RONIL HOTELS & RESORTS PVT. LTD.

Started in December 1987 in Baga-Calangute-Goa is a reputed Hospitality Property, that provides a combination of both local and global cuisines which is now known as "Keys Resort-Ronil-Baga".

Located just 500m from the dancing waves of world famous Baga Beach, Ronil has 125 air conditioned rooms with all facilities, 2 fresh water swimming pools with sun decks, 2 conferences cum banquet halls, 2 specialty food and multi-cuisine restaurants, wireless hotspots for internet connectivity. The hotel employs almost 151 employees being in the state of the Goa.

**Promoters :** *Mr. Nanda alias Anil S N Counto, Engineer by profession as Chairman with his wife Mrs. Nutan N Counto and his two technocrat sons, Mr. Aakash N Khaunte and Mr. Gaurav Khaunte,*

Promoter Mr. Anil Counto is a man with mission and has established 'ALCON - Anil Counto Enterprises' which has diversified ventures in Construction & Real Estate; Manufacturing in Cement, Ready Mix Concrete, Microfine products; Automobile Dealerships; Artifacts - manufacture of high quality souvenirs and ceramic artifacts and tiles depicting Goa's heritage; Logistics - Jetty for loading and unloading of Import & Export of Goods as well as in Social, Cultural, Education & economic field.

## M/S RONIL HOTELS & RESORTS PVT.LTD.

RONIL BEACH RESORT CALANGUTE - BAGA - GOA



## EDC LIMITED {GOA} PANAJI M/S METADECOR INDUSTRIES {M/S METAL FABRIK INDIA GOA}

M/s Metal Fabrik India was established in 1989, with assistance of Rs.18 lakhs from EDC Limited, Goa by **Mr. Avinash Bhonsle**, an engineering technocrat & assisted by his son Harin, an engineering graduate.

Metal Fabrik India was among the first in India to import technology and machinery from Germany for manufacture of wrought iron products. The company diversified into Stainless Steel products for home decor and retail furniture.

The latest addition to its product range is lanterns, lamp posts, garden & home décor lights, Street lights & light poles. Today it has two manufacturing units and two retail showrooms in Goa. It has its own office in Pune for Maharashtra and adjoining markets.

The unit's present turnover is 8 crores & is certified as ISO 9001 : 2008.

## M/S METADECOR INDUSTRIES



MR. AVINASH BHONSLE

## EDC LIMITED {GOA} PANAJI COASTAL HONDA (CACULO CARS PVT. LTD)

**Mr. Manoj M. Caculo** was granted dealership of Honda Sael Cars India Ltd., in the year 2001 for which he set up a new company called **Coastal Honda (Caculo Cars Pvt. Ltd)** a part of the **Caculo Conglomerate**. The Company was started with a loan assistance of Rs.195 lakh from EDC, Goa.

The dealership commenced from the showroom & workshop facility with a total area of approx. 6000 sft and annual sales figure of a modest 100 units and a net staff strength of 20 people. They are currently selling over 1500 units per annum, the dealership has its own roadside assistance facility and has an ISO certification for all its operations. It has won many awards in sales, after-sales & customer satisfaction areas.

The **Caculo Conglomerate** today has over 600 strong workforce and has varied business interests with dealership of JCB earthmoving machinery & Ford India Ltd, besides Honda. Other Business interest include Caculo Mall-The only Mall in the state of Goa.

## COASTAL HONDA (CACULO CARS PVT. LTD)



SHRI MAHADEV M. CACULO

## KERALA FINANCIAL CORPORATION {KFC} THIRUVANANTHAPURAM M/S VEEKESY ELASTOMERS PVT. LTD.

**Shri V. Noushad** established Veekesy Elastomers Pvt. Limited in the year 2001. He is an M.Tech with more than 20 years experience in the field. The unit is involved in manufacture of footwear. The aggregate financial assistance availed from Kerala Financial Corporation (KFC) by the unit is Rs.750 lakh. The company uses advanced Italian technology and ERP SAP solution in the production process.

The sales of M/s Veekesy Elastomers touched more than Rs.88 crore in the previous year. Its average year on year growth is about 45.5% mainly due to the quality of its products and contemporary designs which are all available at a reasonable price. The unit is in the process of obtaining 9001-2008 certification.

Some of the Awards won by Shri Noushad are :-

- Best Entrepreneur Award instituted by Industries Department, Government of Kerala for the year 2004.
- Berchamens Professional Award Instituted by SB College Changanassery in 2013.
- Entrepreneur of the Year Award Instituted by TIECON, an international, trade group in 2013.

## M/S VEEKESY ELASTOMERS PVT. LTD.



SHRI V. NOUSHAD

# Glimpses of COSIDICI National Award Function 2014

## at Al Saj Convention Centre, Kazhakuttom, Thiruvananthapuram



Al Saj Convention Centre, Kazhakuttom, Thiruvananthapuram – Venue of COSIDICI National Award Function 2014



R to L Shri A.G. Dinesh, G.M., KFC, Shri P.K. Kunhalikutty, Hon'ble Minister for Industries and IT of Kerala State; Shri P. Joy Oommen, IAS, CMD, KFC, Smt. Vandita Sharma, MD, KSFC and Shri V.S. Rathore, SG, COSIDICI



Shri P.K. Kunhalikutty, Hon'ble Minister for Industries & IT of Kerala State addressing the audience



Shri R.P. Shukla Administrator, Gopinath Hospital, (RFC, Jaipur)



Shri Sudhir Sehgal, S.B. Mineral Industries (RFC Jaipur)



Shri Shameem Shah, Lelafe IT Solutions Pvt. Ltd. (J&K Sidco, Srinagar)



Shri Nisar A. Baba, Alba Power Pvt. Ltd., (J&K Sidco, Srinagar)



Shri Harish Ganerwal, Glaze Infrastructure Pvt. Ltd., (WBFC, Kolkata)



Shri S. Nargunam, Excel Die Castings, (TIIC, Chennai)



Smt. K. Bharathi, Jainidhi Automation, (TIIC, Chennai)



Shri Nanda S.N. Counto, Ronil Hotels & Resorts Pvt. Ltd. (EDC Limited, Panaji)



Shri B.S. Pai Angle, G.M., EDC Ltd. on behalf of the Awardee, Metadecor Industries (EDC Limited, Panaji)



Shri Mahadev M. Caculo, Caculo Cars Pvt. Ltd. (EDC Limited, Panaji)



Shri V. Noushad, Veekesy Elastomers Pvt. Limited (KFC, Kerala)



Shri M.K. Biju, Karthika Residency, (KFC, Kerala)



Shri N.K. Mohanan, Sreelakshmi Polymers (KFC, Kerala)



Smt. Kamala Vishwanath, Vipra Machine Tools Pvt Ltd. (KSFC, Bangalore)



Shri Sarath Babu, Jubilee Hill Resorts, (APSC, Hyderabad)



Shri G. Veeraragavan, Shri G. Praburam and Shri G. Sairam, Alubee Die Casters, (TIIC, Chennai)



Shri H. Ramamurthy, Misty Pure Technology Pvt. Ltd. (TIIC, Chennai)



Shri Babu Ramesh H.K., Alcoats (KSFC, Bangalore)



A Group Photograph of COSIDICI National Awardees



Audience during National Award Function In Al Saj Convention Centre



Shri Babu Ramesh H.K., M/s Alcoats addressing the audience

**KERALA FINANCIAL CORPORATION {KFC}  
THIRUVANANTHAPURAM  
M/S KARTHIKA RESIDENCY**

A graduate in Mathematics, **Shri. M.K. Biju**, started as a small entrepreneur in 1998 by opening Karthika Metal Crusher. Shortly after that he started Karthika Granites. He also runs Karthika Fuels in Kadakkal which is an authorised dealer of Hindustan Petroleum. Hailing from Kadakkal, Kollam, he imbibed the spirit of hard work and value of ethics from his parents who were teachers. After consolidating his business in the metal crusher segment he diversified into hospitality industry by starting a 3 Star Hotel in Karette- 'Karthika Residency'. With his hard work, dedication and business acumen, he carved out a niche, in his business world within a short span of time. His latest business venture is an ambitious five star hotel project at Kazhakuttom which is nearing completion.

There are more than 250 employees in his group companies. He has endeared himself to everybody by his humility and unassuming manners. A Spartan in his lifestyle and is planning many new business ventures and believes that even sky is the limit to success.



**SHRI. M.K. BIJU**

**KERALA FINANCIAL CORPORATION {KFC}  
THIRUVANANTHAPURAM  
M/S SREELAKSHMI POLYMERS**

**Shri N.K. Mohanan** established Sowra Plastic as a Proprietary concern in 1987 with financial assistance from Kerala Financial Corporation (KFC). He renamed the company as Sreelakshmi Polymers in the year 1997. The unit manufactures quality PVC pipes under the brand name EMPLAST is located at Udayampoor since 2003 with technologically advanced machinery.

The unit has been conferred with ISO 9001:2008 certification for its Quality Management System.

The installed capacity of the plant is 370 kg. per hour with proper supply chain management. The unit achieved a turnover of above Rs.5 crore in the previous year. Sreelakshmi Polymers follows the principle of 'Employee First' in the matter of caring its employees. It has a workforce of 30 employees who are working in shifts. All the benefits like ESI, EPF uniform etc. are provided to them besides yearly pleasure trips.



**SHRIN.K. MOHANAN**

**KARNATAKA STATE FINANCIAL CORPORATION (KSFC)  
M/S VIPRA MACHINE TOOLS PVT LTD.**

Vipra was found in 1991 by technocrat entrepreneur **Shri. B R. Vishwanath** and financed by the **Karnataka State Financial Corporation**. They have been a reliable and dependable vendor to several leading corporations such as L & T CEL, Wipro Ltd, Bosch Ltd. etc, for over 2 decades

Their core business is manufacturing of CNC machined components for

- ✦ Infrastructure Industry (Specializes in earth moving equipment components).
- ✦ Petro - Chemical Industry (Valve Bodies and internal components).
- ✦ Automotive Industry.
- ✦ Precision Machine Tool Component.
- ✦ Sub-Assemblies, Assemblies and ship to line precision machined components.

They have three units operating in and around Bangalore with a dedicated team of professionals & skilled workforce. They are a company of about 80 employees with 20 machines and revenue of over US\$ 5.5 million.

**M/S VIPRA MACHINE TOOLS PVT LTD.**



2005: Best Supplier Award Wipro Infrastructure engineering.

2008: Best Quality Partner Wipro Infrastructure engineering.

2009: Overall Performance Award L&T Komatsu.

2009: Cluster member of the UNIDO - ACMA Cluster Programme 2009-2011 to

2012: Overall Performance Award from L&T Komatsu & Wipro Ltd.



**ANDHRA PRADESH FINANCIAL CORPORATION (APFC)  
M/S JUBILEE RESORTS**

Established by **Mr. J. Sarath Babu** and financially assisted by Andhra Pradesh Financial Corporation.

The resort features an Egyptian Theme representing the rich cultural heritage and mythology. Inspired by the great sphinx and pyramids, Jubilee Hill Resorts is a celebration of greatness. The state-of-the-art facilities and recreational equipment creates a unique ambience that is high on fun and excitement. There is a restaurant, banquet Hall, Senet Room, Spa, Lawns, open air theatre, Rooms, Indoor & outdoor games, Beach cricket, beach bally ball grounds, sophisticated gym and swimming pool that offers you lots of happy moments

**M/S JUBILEE HILL RESORTS**

*Shri. J. Sarath Babu , Managing Director*



## MADHYA PRADESH FINANCIAL CORP. {MPFC}, M/S. GATIMAN AUTO PVT. LTD.

Started with the assistance of Madhya Pradesh Financial Corporation (MPFC) in 1988, by Shri Prafull M. Kothadiya, Shri Subhash B. Chuttar, Shri Shyam B. Jain and Shri Ashvin B. Shah is a small-scale automotive ancillary unit.

It is currently manufacturing assemblies & systems like Tipper Bodies, Fuel tanks, Silencers / Mufflers for Commercial vehicles, tractors and Earth Moving Equipment, Exhaust tubes, Vacuum tanks, & variety of sheet metal components for clientele like VE Commercial Vehicles Limited, Pithampur, Tafe Motors and Tractors Limited, Mandideep / Bhopal, Force Motors Limited, Pithampur, MAN Trucks India Pvt. Ltd, Pithampur, Case New Holland Construction Equipment (India) Private Limited, Pithampur and others.

The Company has Press Shop set backed by well-equipped, modern Tool Room facilities and qualified engineering staff for designing & manufacturing of Press Tools. The Company also has Fabrication Shop having MIG & TIG welding machines, CNC pipe bending machines, spot welding machines, seam welding machines and varieties of SPM.

At their Unit-2, Gatiman has full-fledged modern liquid painting & powder-coating line supported by 11-tank pre-treatment process, shot blasting, and Metallizing equipments. The presence of 40 engineers in total work force of 200 allows the Company to focus on developing new technologies. The sales turnover of Gatiman in year 2013-14 was Rs. 52.82 Crores and Sales from April to October 2014 have been Rs. 35.95 Crores.

## M/S. GATIMAN AUTO PVT. LTD.



SHRI PRAFULL M. KOTHADIYA SHRI ASHVIN B. SHAH



## MADHYA PRADESH FINANCIAL CORPORATION {MPFC}, INDORE M/S SAFEFLEX INTERNATIONAL LTD

Established by Shri Jitesh Agrawal an IIT graduate with a view to set up an export oriented unit for the manufacture of Flexible Intermediate Bulk Container (FIBC) at Special Economic Zone, Industrial Area, Pithampur, Dist. Dhar (M.P.).

Mr. Agrawal set up this unit as a first generation entrepreneur which was 100% Export Oriented Unit for the manufacture of Flexible Intermediate Bulk Containers (FIBCs) with a capacity of 2400 M.T. per annum with the financial assistance of Rs.400.00 lacs from MPFC and commenced commercial operations from 2006. Due to the quality of its products and good response in export market, the Company doubled its capacity from 2400 MT per annum to 4800 MT per annum in the year 2008-09 again with financial assistance of Rs. 450.00 lacs from the Corporation.

The company has set up another unit in the year 2011-12 at Domestic Tariff Area (DTA), Pithampur for manufacture of HDPE/PP/LLDPE knitted products viz. shade nets, bags on roll and woven and non-woven laminates viz. geo textiles, lumber wraps, cover fabrics etc. with a capacity of 8650 MTs per annum. MPFC assisted this project with a term loan of Rs. 1400.00 lacs.

## M/S SAFEFLEX INTERNATIONAL LTD

JITESH AGRAWAL, PRESIDENT

### Products:

HDPE/PP/Bags/Fibres, HDPE/PP Fabrics, HDPE/PP Tapes, Nets(Except Mosquito Nets), Knitted or Crocheted Synthetics Textile Products, Packaging Product of Plastics (Except Household), Semi Finished Product of Plastics (Film)



## TAMILNADU INDUSTRIAL INVESTMENT CORPORATION LIMITED {TIIC}, CHENNAI M/S ALUBEE DIE CASTERS

Established by brothers Shri G. Veeraragavan; Shri G. Praburam and G. Sairam in the year 2003-04. Its promoters are first generation entrepreneurs who availed a loan of about Rs.607 lakh from Tamilnadu Industrial Investment Corporation Limited (TIIC).

The company is growing by leaps and bounds. Its sales revenue which was Rs.1158.29 lakhs in the year 2011 crossed Rs.50 crores in the year 2014. M/s Alubee Die Casters has been conferred with ISO-9000 and TS16949 certification. The unit received the Best Foundry Award in the years 2010 and 2012 and the Best Quality Supplier 2012 award from BOSCH.

## M/S ALUBEE DIE CASTERS

|  |                                                                                                   |  |
|--|---------------------------------------------------------------------------------------------------|--|
|  | <b>G.VEERARAGAVAN</b><br><b>47 YEARS</b><br><b>Mechanical Engineer</b><br><b>MANAGING PARTNER</b> |  |
|  | <b>G.PRABURAM</b><br><b>46 YEARS</b><br><b>Mechanical Engineer</b><br><b>MANAGING PARTNER</b>     |  |
|  | <b>G.SAIRAM</b><br><b>44 YEARS</b><br><b>Civil Engineer</b><br><b>MANAGING PARTNER</b>            |  |

## TAMILNADU INDUSTRIAL INVESTMENT CORPORATION LIMITED {TIIC}, CHENNAI M/S MISTY PURE TECHNOLOGY P LTD

Shri H. Ramamurthi and Shri S. Krishna Kumar, established Misty Pure Technology P Ltd with financial assistance of about Rs.220 lakhs from TIIC, Chennai. The Promoters are first generation entrepreneurs and have a degree in Bachelor of Pharmacy.

The unit is a leading manufacturer of Water Purifier parts like Cabinets, Filters, Filter housing etc. The unit has achieved a commendable growth with sales of about Rs.14 crore in the year 2013.

It has been conferred with ISO 9001-2008 Certification.

## M/S MISTY PURE TECHNOLOGY P LTD



SHRI H. RAMAMURTHI  
DIRECTOR

**KARNATAKA STATE FINANCIAL CORPORATION  
(KSFC) BANGALORE  
M/S ALCOATS**

M/s Alcoats is a partnership firm established by Shri H.K. Bapu Ramesh in the year 2000 in Mysore. The firm has been providing anodizing and other allied services to many small, medium and large scale industries in various sectors such as General Engineering, Automotive, renewable energy, Defence and Aerospace.

M/s Alcoats availed assistance of Rs.300 lakhs from KSFC Bangalore

The unit has achieved sales of Rs.438 lakh last year with a profit of Rs.63.19 lakh. It has also been conferred with ISO 9100:2008 & AS9100 Certification. Its new facility is complete for auto/manual plant at Koorgalli Industrial Area, Mysore to cater to the needs of Aerospace Industries.

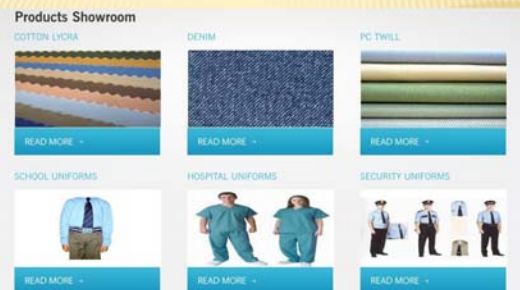


**RAJASTHAN FINANCIAL CORPORATION (RFC) JAIPUR  
M/S MEWAR FABRICS PVT LTD**

- ✦ Mewar Fabrics Pvt. Ltd. was formed by Shri. Sanjay Nenawati in 1987 is manufacturing Suiting Fabric in Cotton Blend, Polyester, Poly/Viscose, Poly/Cotton and Cotton Lycra and markets under the brand name "Swagat". With a production of over 4 million meters per annum they are one of the most reputed business groups dealing in Polyester-Viscose Suiting Fabric, Polyester Suiting Fabric, Polyester-Cotton Suiting Fabric, Premium Polyester-Viscose Suiting Fabric, Uniform Fabric Industrial/Work Wear Uniform Fabric.
- ✦ Their manufacturing unit is spread over an area of 35000 Sq. Feet, equipped with advanced Weaving, Warping and Humidification machines which assist us to produce qualitative Fabrics in desired quantities using: Hi speed Dornier Looms, Latest Sulzer Double Width (PU) Looms Prashant Gamatex Warping Machine, LUWA Humidification

**M/S MEWAR FABRICS PVT LTD**

**Sanjay Nenawati, Chief Promoter**



**WEST BENGAL FINANCIAL CORPORATION  
M/S IRIS CLOTHINGS PVT. LTD.**

Promoted by Smt. Gita Labha and financed by West bengal Financial Corporation. They are the manufactures of Kids apparels, for the age group of 4-14 yrs. They also have a sister concern named as M/S Iris Fashion Pvt Ltd and currently they have the license for DISNEY and CARTOON NETWORK Kids Apparels.

**M/S IRIS CLOTHINGS PVT LTD**



*Before you speak  
let your words pass through three gates.  
At the first gate, ask yourself 'Is it true.'  
At the second gate ask, 'Is it necessary.'  
At the third gate ask, 'Is it kind'.*

### Executive Committee Meeting :

The Executive Committee Meeting and Annual General Body Meeting were held on November 26, 2014 at 'Uday Samudra Leisure Beach Hotel', Kovalam, (Kerala). The E.C. decided that the SFCs had to remodel and reinvent themselves by identifying their strengths and weaknesses to adapt to the changing economic environment. SFCs have highly qualified personnel with rich practical experience. They would be able to take up Entrepreneurship promotion, Training and Consultancy work to augment the income of the Corporations on the one hand and to prove to the respective State Governments their capabilities, on the other. Keeping in view the inherent strengths of SFCs it was necessary to explore the possibility of their becoming 'Development Banks'. The Executive committee further decided to hold an 'Essay Writing Competition' under the aegis of COSIDICI COURIER on the following subject; ***"Need for Diversification of Activities of SLFIs in the current Economic Scenario of India"***.

Below are the rules of the said competition : The **Essay Writing Competition** will be open to employees of Member Corporations and the members of their families such as spouse, son and daughter; The essay will not exceed 2000 words. The Editorial Board of COSIDICI COURIER headed by President COSIDICI will evaluate the essays and the decision of the panel will be final; Two essays out of the lot adjudged as the best by the judges will be awarded first and second prize of Rs.10,000/- and Rs.5,000/- respectively.

### Annual General Meeting :

The Annual General Meeting of COSIDICI was held on November 26, 2014 at 'Uday Samudra Leisure Beach Hotel', Kovalam, (Kerala). The following were elected as the Members of the Executive Committee of COSIDICI for the Year 2014-2015 :

Shri P. Joy Oommen, IAS, CMD, KFC, Thiruvananthapuram as the President of COSIDICI for the year 2014-2015. Shri S.K. Srivastava, IAS, M.D., DFC, New Delhi; Smt. Vandita Sharma, IAS, M.D., KSFC, Bangalore; Shri J.S.V. Prasad, IAS, M.D., APSFC, Hyderabad; Shri S.K. Prabakar, IAS, CMD, TIIC, Chennai; Shri K.C. Gupta, IAS, MPFC, Indore; Shri S.S. Bains, IAS, M.D., PFC, Chandigarh were elected as Vice-Presidents. Shri V.P. Baligar, IAS, M.D., KSIIDC, Bangalore; Shri Anand B. Kulkarni, IAS, M.D., MSFC, Mumbai, Shri B.B. Swain, IAS, Vice CMD, GIDC, Gandhinagar; Shri Vineet Garg, IAS, M.D., HSIIDC, Chandigarh, Shri Maneesh Chauhan, IAS, M.D., RFC, Jaipur, Dr. R. Selvaraj, IAS, M.D., SIPCOT, Chennai, Shri S.P. Bhat, M.D., EDC Limited, Panaji (Goa), Shri Samrendranath Koley, M.D., WBFC, Kolkata were elected as Executive Committee Members. Besides, Shri Debeswar Malakar, IAS, M.D., AFC, Guwahati and Shri Kifatat Hussain Rizvi, IAS, J&K SIDCO, Jammu were co-opted as E.C. Members for the Year 2014-2015. The contents of the Annual Report of the E.C.M. of COSIDICI for the Year 2013-2014 were noted and approved by the General Body which also approved the audited statements of accounts for the Year 2013-2014.

■■■

*Always show more kindness than you think is necessary because the receiver needs it more than you know.*



## PROFILE OF MEMBER CORPORATIONS

### **DELHI STATE INDUSTRIAL AND INFRASTRUCTURE DEVELOPMENT CORPORATION LTD. (DSI IDC)**

Delhi, being the capital, epitomises the entire nation. Delhi State Industrial and Infrastructure Development Corporation Ltd. (DSI IDC) has played a key role in propelling the development of Delhi by shaping up the Indian capital. Since it was established in February 1971, DSI IDC has projected, aided, counselled, assisted, financed and promoted projects to transform the face of Delhi.

DSI IDC is poised for huge responsibility as many big projects are at various stages of inception and/or execution. Important among these are :

- ◆ Knowledge Based Industrial Park (KBI) at Baprola
- ◆ Development of Built-up Factory Complex at Rani Khera
- ◆ Development of Housing for Urban Poor
- ◆ Education – Construction of New Schools
- ◆ Education – Roopantar Scheme
- ◆ Construction of Hospital-cum-Medical Complex
- ◆ Development of Integrated Office Complex, Vikas Bhawan
- ◆ Development of DTC Bus Depot at I.P. Estate
- ◆ Re-development of Office Building at Wazirpur
- ◆ Development of IT-cum-Flatted Factory Complex, Okhla
- ◆ Development of Education-cum-Software Marketing Estate at Okhla
- ◆ Construction of Office Complex for Delhi Pollution Control Committee (DPCC)

#### **Corporate Social Responsibility**

The Corporation in addition to its service to the citizens of Delhi by providing industrial infrastructure facilities, supports various social causes of Delhi. The Corporation during the year 2011-12 sponsored Aapki Rasoi Scheme of the Government of NCT of Delhi's Bhagidari Scheme by providing cost of meal for 300 persons for one year for a Centre operated by M/s Aksaya Patra. The total support by the Corporation for this noble cause was Rs.14,19,600/-.



The Corporation supported the Delhi Urban Shelter Improvement Board, Government of NCT of Delhi by providing Modern Fireproof Night Shelters for the homeless people of Delhi especially during the harsh winter. The Corporation provided monetary support of Rs.55,14,000/- and its engineers also provided technical support to DUSIB in timely setting up of the Night Shelters.

#### **Relocation of Industries**

With the onerous responsibility of fulfilling the dreams of industrial entrepreneurs of Delhi, relocation of industries has been the prime concern of DSI IDC. Under the directions of Hon'ble Supreme Court, the Commissioner of Industries, Govt. of Delhi had formulated the scheme of "Relocation of Industries" in the year 1996. The rationale of the scheme is to reposition and manage the operation and maintenance of industrial units working in the non-conforming/residential areas of Delhi to conforming areas in NCT of Delhi.

DSI IDC has taken significant steps poised to overhaul and bring about a holistic transformation in the flourishing capital. Dreams have been realized and lives positively impacted through diverse projects which are at various stages of commencement and/or execution. To begin with allotments of flatted factories and developed industrial plots have been made to applicants by draw of lots in the newly developed industrial areas of Narela, Bawana, Patparganj, Badli, Okhla, Jhilmil Industrial Area etc. Projects in pipeline include development of a knowledge-based industrial park in Baprola, multi level manufacturing hub for the SMEs at Rani Khera on Rohtak Road, Delhi etc.

#### **Delhi Emporium 'Bharati'**

"Bharati" a showcase of the creations of Indian craftsmen, weavers and folk artists has inspired

trends, aroused curiosity, enchanted tourists and left an impression on the minds of everybody who has visited it. India, has been an enigma to many across the globe. With its products, the decor, ambience, exhibition and everything else that goes with it, the emporium provides you with an aroma of what real India is all about. India's vast cultural and ethnic diversity is reflected through easily accessible and consumer friendly concept of exhibit and sale of products.

The 'ONE – SHOP' emporium is a treasure-trove of a mesmerizing range of art forms and conventional crafts, each inimitable in style, theme, concept, structure and expression. It is well equipped with the right know-how and customer-needawareness, to make it an ideal shopping store. A rare fusion of tradition & modernity the emporium provides wide array of quality products, like sarees, fabric, carpets, shawls, brass ware, handloom, leather, paintings, wood-carving, zardoze, garments, paintings, marble, white metal and other handicraft products.

Representing the true 'Heritage of Indian Culture' besides offering the above mentioned products, it shall leave you bewildered with a range of superlative designer jewellery items and antiques thereby catering to the needs of people from all walks of life.

**Bharti Emporium** provides opportunity to the 'grass-root' artisans & master craftsmen as well as national and state level awardees to demonstrate their products. It has been vigorously pursuing a policy aimed at providing assistance and protection to the products manufactured by them. Turnover for the year 2010-11 was Rs. 395 lakhs approximately. Welcome to this enchanting extravaganza created by skilled master craftsmen. Come and experience the magic of India through "Bharti".

### Products

BHARTI markets all the beautifully handcrafted creations of the designers and master craftsmen, the kind that have made a lasting impression in the markets of India and across the world.

### Narela Industrial Complex

DSIIDC was declared a 'Land Development Agency' in 1978 for development of 612 acres of land at Narela. DSIIDC has completed the first phase of development of 1800 plots. The allotment of these plots has been made. This complex has been

designed on modern lines providing for adequate green spaces, shopping complexes, idle parking, common effluent treatment plant etc. and it is an environmental friendly industrial complex.



The construction of facility Centers, providing shops and commercial spaces have already been completed. About 50,000 trees have been planted in the complex. An area of 10 acres covered under the central park is proposed to be developed as central plaza.

All of the remaining land available in the estate, 70 acres of it is now proposed to be utilized for relocation of industries. There is another proposal for construction of a high-tech-estate for IT enabling services in an area of 50 acres available in the complex. The detailed marketing research analysis is being carried out in this direction.

### Support for Better Technology

In order to improve the quality of life of the metropolis the industrial policy statement of Delhi Administration published in June, 82 has emphasized that heavy and hazardous industries should not be encouraged in Delhi. Consequently such industries may be set up in the National Capital of Delhi which are skill oriented, apply advanced technology, have low land-man ratio, are not obnoxious, need comparatively less power load and produce high value added items. In line with this policy the DSIIDC will lay emphasis on selection of trades and industries which will sub-serve the industrial development in U.T. of Delhi.

### Architectural Harmony

In order to maintain aesthetic, and environmental harmony, the DSIIDC is in the process of evolving architectural modules for construction in various industrial sectors. The allottees will have to add here to these architectural controls. The blue-prints of the architectural design would be available from DSIIDC against fee. In case of failure to observe these specifications and architectural controls, the DSIIDC reserves the right to cancel the allotment and resume possession of the allot.



## LETTER TO THE EDITOR

Dt.: 28th Dec, 2014

Dear Editor,

I am glad to know that COSIDICI, an apex body of all the State Level Financial Institutions (SLFIs) which are functioning in different states of the country i.e. SFCs; SIIDC; and SIICs, is engaged in the Promotion, Development and Financing of Industries in the Small, Medium and Large Sectors and is also working for developing infrastructure facilities in various States. It is also heartening to learn that in order to propagate their endeavours and initiatives, COSIDICI is also publishing its bi-monthly magazine titled "COSIDICI COURIER", which contains comprehensive information pertaining to the various promotional and development schemes of the State Corporations for the benefits of existing and potential entrepreneurs. I am sure that the Journal will provide ample information to facilitate growth of industry as well as commerce in the country.



I wish every success for the publication of the Journal – "COSIDICI COURIER".

With best regards,

**(SANJAY GUPTA)**

Managing Editor & Publisher,  
'GRAMEEN DUNIYA',  
Illustrated Rural & Agriculture Publication  
Jhandewalan Extension  
New Delhi

*Life is just a short walk from the cradle to the grave,  
and it sure behooves us to be kind to one another  
along the way.*



## DO YOU KNOW !

### ADVANTAGES AND DISADVANTAGES OF SOLAR POWER

#### Advantages :

- ♦ Solar energy is free although there is a cost in the building of 'collectors' and other equipment required to convert solar energy into electricity or hot water.
- ♦ Solar energy does not cause pollution. However, solar collectors and other associated equipment / machines are manufactured in factories that in turn cause some pollution.
- ♦ Solar energy can be used in remote areas where it is too expensive to extend the electricity power grid.
- ♦ Many everyday items such as calculators and other low power consuming devices can be powered by solar energy effectively.
- ♦ It is estimated that the world's oil reserves will last for 30 to 40 years. On the other hand, solar energy is infinite (forever).

#### Disadvantages :

- ♦ Solar energy can only be harnessed when it is daytime and sunny.
- ♦ Solar collectors, panels and cells are relatively expensive to manufacture although prices are falling rapidly.
- ♦ Solar power stations can be built but they do not match the power output of similar



sized conventional power stations. They are also very expensive.

- ♦ In countries such as the UK, the unreliable climate means that solar energy is also unreliable as a source of energy. Cloudy skies reduce its effectiveness.
- ♦ Large areas of land are required to capture the sun's energy. Collectors are usually arranged together especially when electricity is to be produced and used in the same location.
- ♦ Solar power is used to charge batteries so that solar powered devices can be used at night. However, the batteries are large and heavy and need storage space. They also need replacing from time to time.



*I am beginning to learn that, it is the sweet, simple things of life which are the real ones after all.*



## ALL INDIA INSTITUTIONS

### Cabinet approves revival of 23 co-op banks

The Union Cabinet has approved a scheme for reviving 23 unlicensed district central cooperative banks (DCCBs). Of these banks, 16 are in Uttar Pradesh, three each in Maharashtra and Jammu and Kashmir, and one in West Bengal. Under the scheme, Rs.2,375.42-crore capital will be used for reviving the banks. Of this, the Centre will contribute Rs.673.29 crore, state governments Rs.1,464.59 crore, and NABARD Rs.237.54 crore.

The Centre's share will be released through NABARD as interest-free loan and then converted into grant on fulfilment of targets that include bringing the NPAs to at least half of the present levels by FY 17 and achieving a 15% growth rate for deposits during the next two years.

Revival of DCCBs will help protect the interests of depositors and cater to the credit needs of farmers. Once revived, these cooperative banks will become eligible for obtaining licences from the RBI for continuing their operations in rural areas.

### PSBs wrote off Rs.34,000-cr loans in FY 14

Public sector banks, including SBI, PNB and Central Bank of India, have written off about Rs.34,000 crore, including one-time settlement, during 2013-14, which constitutes 34 per cent of the total non-performing assets. Write-off, including compromise or one-time settlement rose to Rs.34,409 crore in 2013-14 as compared to Rs.27,231 crore in the previous fiscal, Minister of State for Finance Shri Jayant Sinha said. In percentage terms, the write-off constituted 34.05 per cent of the total non-performing asset (NPA) reduction. During 2012-13 this was 37.65 per cent. The written off amount of the State Bank of India more than doubled to Rs.13,177 crore during 2013-14 against Rs.5,594 crore in the previous fiscal. Central Bank of India wrote off Rs.1,995 crore and Punjab National Bank Rs.1,947 crore. IDBI Bank witnessed nearly four-fold jump to Rs.1,393 crore in write off as against Rs.383 crore a year ago. In the case of Oriental Bank of Commerce, it was Rs.1,252 crore while Canara Bank wrote off Rs.1,591 crore worth of loans.

### Regulatory Framework for NBFC Revised

The Reserve Bank, on November 10, 2014, revised the regulatory framework for NBFC (Non-Banking Finance Company) sector to a) address risks wherever they exist, b) address regulatory gaps and arbitrage arising from differential regulations, both within the sector as well as vis-a-vis other financial institutions, c) harmonise and simplify regulations to facilitate a smoother

compliance culture among NBFCs, and d) strengthen governance standards. With a view to transitioning, over time, to an activity based regulation

of NBFCs, the Reserve Bank made the changes in the regulatory framework for NBFCs as under :

### Requirement of Minimum NOF of ' 200 lakh

NBFCs are required to obtain a Certificate of Registration (CoR) from the Reserve Bank to commence/carry on business of NBFI (Non-Banking Finance Intermediary) and have the minimum Net Owned Fund (NOF) as prescribed from time to time. Given the need for strengthening the financial sector and technology adoption, and in view of the increasing complexities of services offered by NBFCs, all NBFCs should mandatorily attain a minimum NOF of:

' 100 lakh by the end of March 2016

' 200 lakh by the end of March 2017

NBFCs, the NOF of which currently falls below ' 200 lakh, have to submit a statutory auditor's certificate certifying compliance to the revised levels at the end of each of the two financial years as mentioned.

NBFCs failing to achieve the prescribed ceiling within the stipulated time period shall not be eligible to hold the CoR as NBFCs. The Reserve Bank will initiate the process for cancellation of CoR against such NBFCs.

### Deposit Acceptance

To harmonise the deposit acceptance regulations across all deposit taking NBFCs (NBFCs-D) and move over to a regimen of only credit rated NBFCs-D accessing public deposits, existing unrated Asset Finance Companies (AFCs) shall have to get themselves rated by March 31, 2016.

Those AFCs that do not get an investment grade rating by March 31, 2016, will not be allowed to renew existing or accept fresh deposits thereafter.

In the intervening period, i.e. till March 31, 2016, unrated AFCs or those with a sub-investment grade rating can only renew existing deposits on maturity, and not accept fresh deposits, till they obtain an investment grade rating.



For rated AFCs, the limit for acceptance of deposits across the sector is reduced from 4 times to 1.5 times of NOF, with effect from November 10, 2014.

### Systemic Significance

The threshold for defining systemic significance for non-deposit taking NBFCs (NBFCs-ND) has been revised in the light of the overall increase in the growth of the NBFC sector. Non-deposit taking systemically important NBFCs (NBFCs-ND-SI) will henceforth be those NBFCs-ND which have asset size of ₹ 500 crore and above as per the last audited balance sheet. With this revision in the threshold for systemic significance, NBFCs-ND shall be categorised into two broad categories- (i) NBFCs-ND (those with assets of less than ₹ 500 crore) and (ii) NBFCs-ND-SI (those with assets of ₹ 500 crore and above).

### Multiple NBFCs

NBFCs that are part of a corporate group or are floated by a common set of promoters will not be viewed on a standalone basis. The total assets of NBFCs in a group including deposit taking NBFCs, if any, will be aggregated to determine if such consolidation falls within the asset sizes of the two categories mentioned above. Regulations as applicable to the two categories will be applicable to each of the NBFC-ND within the group.

### Prudential Norms

The regulatory approach in respect of NBFCs-ND with an asset size of less than ₹ 500 crore will be as under:

They shall not be subjected to any regulation either prudential or conduct of business regulations viz., Fair Practices Code (FPC), Know Your Customer (KYC), etc., if they have not accessed any public funds and do not have a customer interface.

Those having customer interface will be subjected only to conduct of business regulations including FPC, KYC etc., if they are not accessing public funds.

Those accepting public funds will be subjected to limited prudential regulations but not conduct of business regulations if they have no customer interface.

Where both public funds are accepted and customer interface exist, such companies will be subjected both to limited prudential regulations and conduct of business regulations.

Irrespective of whichever category the NBFC falls in, registration under Section 45 IA of the RBI Act will be mandatory.

All of the above will also be subjected to a simplified reporting system which shall be communicated separately.

All NBFCs-ND with assets of ₹ 500 crore and above,

irrespective of whether they have accessed public funds or not, shall comply with prudential regulations as applicable to NBFCs-ND-SI. They shall also comply with conduct of business regulations if customer interface exists.

All NBFCs-ND which have an asset size of ₹ 500 crore and above, and all NBFCs-D, shall maintain minimum Tier 1 Capital of 10 percent. The compliance to the revised Tier 1 capital will be phased in as follows: 8.5 percent by end of March 2016; 10 percent by end of March 2017.

### Asset Classification

The asset classification norms for NBFCs-ND-SI and NBFCs-D are being brought in line with that of banks, in a phased manner, as given below:

Lease Rental and Hire-Purchase Assets shall become nonperforming assets (NPAs) if they become overdue for nine months (currently 12 months) for the financial year ending March 31, 2016;

Assets other than Lease Rental and Hire-Purchase Assets shall become NPA if they become overdue for 5 months for the financial year ending March 31, 2016;

### Regulatory Framework for NBFC Revised

For all loan and hire-purchase and lease assets, sub-standard asset would mean an asset that has been classified as NPA for a period not exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;

For all loan and hire-purchase and lease assets, doubtful asset would mean an asset that has remained sub-standard for a period exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;

Overdue period will be reduced for the financial years ending March 31, 2017 and 2018.

### Provisioning for Standard Assets

Provision for standard assets for all NBFCs-ND-SI and NBFCs-D has been increased to 0.40 percent in a phased manner- 0.30 percent, 0.35 percent and 0.40 percent by the end of March 2016, March 2017 and March 2018, respectively.

### Credit / Investment Concentration Norms for AFCs

The credit concentration norms for AFCs will be in line with other NBFCs with immediate effect for all new loans excluding those already sanctioned. All existing excess exposures would be allowed to run off till maturity.

### Corporate Governance and Disclosure norms for NBFCs

NBFCs-D with deposits of ₹ 20 crore and above, and NBFCs-ND with asset size of ₹ 50 crore and above are



required to constitute an Audit Committee; NBFCs-D with deposits of ₹ 20 crore and above, and NBFCs-ND with assets of ₹ 100 crore and above are advised to consider constituting Nomination Committee to ensure 'fit and proper' status of proposed/ existing Directors and Risk Management Committee.

### Board Committees

The constitution of the three Committees of the Board and instructions with regard to rotation of partners have now been made applicable to all NBFCs-ND-SI, as also all NBFCs-D. Other NBFCs are encouraged to continue such practices, if already being followed. The Audit Committee of all NBFCs-ND-SI, as also all NBFCs-D must ensure that an Information Systems Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the company.

### Fit and Proper Criteria for Directors

All NBFCs-ND-SI, as also all NBFCs-D, with effect from March 31, 2015 shall ensure a policy for ascertaining the fit and proper criteria at the time of appointment of Directors and on a continuing basis, a declaration and undertaking shall be obtained from the Directors by the NBFC. The Directors shall sign a Deed of Covenant and the NBFCs shall furnish to the Reserve Bank a quarterly statement on change of Directors certified by the auditors and a certificate from the Managing Director that fit and proper criteria in selection of directors have been followed.

### Disclosures in Financial Statements

In addition to the existing disclosures, all NBFCs-SI (as redefined) as also all NBFCs-D will have to make additional disclosures in their financial statements, as prescribed in the revised guidelines.

The above revisions shall be applicable to NBFCs-MFI also except wherever in conflict with the provision of Non-Banking Financial Company- Micro Finance Institutions (Reserve Bank) Directions, 2011, in which case the Directions will be followed. Likewise, the above revisions shall be applicable to registered Core Investment Companies except wherever contrary with the provisions of Core Investment Companies (Reserve Bank) Directions, 2011, in which case the Directions will be followed.

### Guidelines for Licensing of Small Finance Banks

The Reserve Bank, on November 27, 2014, released the Guidelines for Licensing of Small Finance Banks in the Private Sector.

### Key Features

**Objectives:** The objectives of setting up of small finance banks will be to further financial inclusion by (a) provision of savings vehicles, and (b) supply of credit to small business units; small and marginal farmers; micro and small industries; and other unorganised sector entities, through high technology-low cost operations.

**Eligible Promoters:** Resident individuals/professionals with 10 years of experience in banking and finance; and companies and societies owned and controlled by residents.

Existing non-banking finance companies (NBFCs), micro finance institutions (MFIs), and local area banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.

Promoter/promoter groups should be 'fit and proper' with a sound track record of professional experience or of running their businesses for at least a period of five years in order to be eligible to promote small finance banks.

### Scope of Activities

The small finance bank shall primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

There will not be any restriction in the area of operations of small finance banks.

**Capital Requirement:** The minimum paid-up equity capital for small finance banks shall be ₹ 100 crore.

Apart from issuing guidelines on promoter's contribution, foreign shareholding and prudential norms for small finance banks in the private sector, the Reserve Bank has also outlined the transition path as given below:

**Transition Path:** If the small finance bank aspires to transit into a universal bank, such transition will not be automatic, but would be subject to fulfilling minimum paid-up capital / net worth requirement as applicable to universal banks; its satisfactory track record of performance as a small finance bank and the outcome of the Reserve Bank's due diligence exercise.

### Background

Earlier on July 17, 2014, the Reserve Bank formulated the draft guidelines for licensing of small banks in the private sector and released for public comments. Several comments and suggestions were received from interested parties and public on the draft guidelines. Considering the feedback received, the guidelines have been finalised.



## Telangana govt. presents its first budget

In its budget proposal the government of Telangana estimated an expenditure of a little over Rs.1 lakh-crore for the 10 months of the post-bifurcation period ending March 2015. The government has made an increase in allocations to roads, public health and irrigation and, made significant provision for new social sector programmes. These include a land purchase scheme for landless families belonging to Scheduled Castes and a farm loan waiver.

Finance minister Shri Etela Rajender presented the budget, with no new tax proposals. It showed an estimated revenue surplus of Rs.301 crore, based on the additional resource mobilisation proposed. There is a rise in estimated Plan outlay, at Rs.48,648 crore or 48 per cent of the total expenditure. The Telangana government estimates total receipts of Rs.98,099 crore. Tax income, along with the share in central taxes, accounts for Rs.45,128 crore or 46 per cent of the total receipts, continuing the trend of lower tax income in relation to total budgetary receipts. The state's own tax receipts are estimated at Rs.35,378 crore and a non-tax revenue of Rs.13,242 crore. For the current year, the fiscal deficit was estimated at Rs.17,398 crore or 4.79 per cent of Gross State Domestic Product (GSDP), much higher than the three per cent cap prescribed by the central law on this, the Fiscal responsibility and Budget Management Act. In August, the AP government estimated its fiscal deficit to be 7.18 per cent in the residual state, excluding the anticipated additional assistance of Rs.14,500 crore in the context of the state's reorganisation. In the vote-on-account budget approved in March last year, the government of undivided AP estimated the fiscal deficit at 2.6 per cent of GSDP. The Telangana government also expects more of grants from the Centre to back this ambitious budget. Central grants were Rs 21,720 crore or 27 per cent of the total estimated expenditure during the current year.

The Telangana government said it would spend about Rs.10,000 crore on improving the road network in two years, while proposing Rs.4,000 crore in the current year. Double-laning of roads connecting mandal headquarters with district headquarters would be alone and 1,000 new public transport buses introduced this year.

The allocation to health under the Plan was raised to Rs.2,283 crore, with substantial upgradation to state-level and district hospitals. An allocation of Rs.2,000 crore

was made to revive small irrigation tanks. The allocation to irrigation was Rs.6,500 crore. About Rs.9,500 crore went to agriculture, Rs.4,400 crore to transport and a total of Rs.23,000 crore to social service sectors — health, education, water supply, urban development and other welfare programmes, under the annual Plan. Power got Rs.1,637 crore under Plan schemes, beside Rs.3,000 crore towards power subsidy.

## Mizoram Presents Tax-Free Deficit Budget For FY'15

Mizoram Finance Minister Shri Lalsawta presented a tax-free deficit budget amounting to Rs.6,770.79 crore for the current fiscal. He explained that he could not present the full budget during the budget session in March and was compelled to seek vote-on-account two times for eight months due to late finalisation of the state annual plan outlay for 2014-15. The budget, presented in the state Assembly, has provisioned Rs.3,140 crore under plan outlay and Rs.3,630.79 crore under non-plan expenditure. The closing deficit for Financial Year 2015 was estimated at Rs.608.39 crore as against the opening deficit of Rs 357.18 crore.

## New Industrial Policy 2014-19 of Karnataka State

The Karnataka State Government considers industrial growth as a means to mitigate poverty and unemployment. Development of industry, trade and service sector promotes higher capital formation, improves per capita income level, absorbs surplus work force. To realize these benefits and expedite socio economic changes, the State accords top priority for industrial development.

*The salient features of New Industrial Policy 2014-19 are briefed below :*

The New Industrial Policy 2014-19 aims at achieving an industrial growth rate of 12% per annum by



attracting investments of about five lakh crore & generate employment to about fifteen lakh persons during the Policy period.

The Policy lays emphasis on providing good infrastructure support for promotion of industries. It is proposed to form at least five industrial areas every year over an area of 5000 to 8000 acres through KIADB with all infrastructure support such as roads, drains, water, power & connectivity. Energy and Water resources department will be directed to provide the required power and Water to the designated industrial areas. In order to overcome the constraints of KIADB in providing the required infrastructure support, the policy proposes to encourage private investment in establishing industrial areas/estates either independently or through PPP mode.

The Policy aims at holistic development of the State and looks beyond Bangalore with equitable distribution of industries all over Karnataka. With this in view, this Policy has grouped all the taluks of the State into six zones:- two in 'Hyderabad Karnataka Area' and four in 'other than Hyderabad -Karnataka Areas' by taking average per capita industrial investment and per capita employment in the taluks.

#### Focus on MSME

Keeping in view the contributions being made by the MSME sector towards GDP, employment & revenue generation etc., special attention has been given to this sector by reserving 20% of the land to be allotted in each industrial area. Further, an attractive package of incentives and concessions almost equal to or double the quantum provided in the earlier policy coupled with suitable measures for marketing and financial support for MSMEs are proposed.

#### Inclusive Growth Strategy:

The Policy not only aims at spreading industries all over Karnataka, it also aims at inclusive growth covering all sections of the society like Women, SC/ST, Backward Classes & Minorities, special package of incentives and concessions have been given to them which are detailed below:

#### For SC/ST Entrepreneurs:

- ◆ KIADB/ KSSIDC to reserve 22.50% of allotable area
- ◆ KIADB/ KSSIDC to allot land at following subsidised rates

40% subsidy for other than HK Zone 1 & 2 with a ceiling limit of Rs.15.00 lakh, 30% subsidy for other than HK Zone 3 with ceiling limit of Rs.25.00 lakh and 25% for other than HK Zone 4 with a ceiling limit of Rs.35.00 lakh. Similarly, 40% for HK Zone - 1 & 2 with ceiling limit of Rs.25.00 lakh for HK Zone-1 and Rs.20.00 lakh for HK Zone-2.

#### For Women entrepreneurs:

- ◆ KIADB/ KSSIDC to reserve 5% of allotable area
- ◆ Two exclusive industrial areas at Harohalli and
- ◆ Hubli/Dharwad
- ◆ Exclusive cluster for Textiles, Gem & Jewellery

This Policy has also taken special care towards protection for women employees at work place and the provisions of Sexual Harassment of Women at Work Place (Prevention, Protection and Redressal) Act 2013 are to be implemented in true spirit by factories/industries.

#### For Backward Classes, Minorities, Physically challenged persons Ex-Servicemen entrepreneurs:

- ◆ KIADB/ KSSIDC to reserve 5% of allotable area

#### Encouragement to Non Resident Kannadigas (NRKs)

It is proposed to encourage NRKs with an early seed capital fund to invest in Karnataka and facilitate them to invest in projects in compliance with current Foreign Direct Investment policies of Government of India. It is also proposed to provide angel funding for start ups in collaboration with NRI companies / Organizations. An exclusive NRK investment promotion cell will be established in KUM in association with Karnataka NRI Forum to facilitate them with expeditious clearance of proposals, priority in land allotment and other escort services.

#### Classification of Large Enterprises:

The industries with higher investments have been classified as under :

- ◆ **Large Enterprise:** (i.e investment on fixed assets above Rs.10 crore to Rs.250 crore)
- ◆ **Mega Enterprises:** (i.e investment on fixed assets above Rs.250 crore up to Rs.500 crore)
- ◆ **Ultra Mega Enterprises:** (i.e investment on fixed assets above Rs.500 crore up to Rs.1000 crore)
- ◆ **Super Mega Enterprises:** (i.e. investment on fixed assets above Rs.1000 crore)

■■■

## POLICY POINTERS

### Proposed Environmental Laws (Management) Act, 2014

The Act seeks to create an umbrella law to tackle the multiplicity of agencies processing environment and forest clearance and revamp the project clearance procedures.

#### What will it create?

- ◆ National Environment Management Authority (NEMA) – recommend environment clearance to projects with high potential environmental impacts, presently done at the Central level.
- ◆ State Environmental Authority (SEMA) — recommend environment clearance to projects with medium potential environmental impacts, presently done at the state level.
- ◆ Appellate Authority – to look into appeals related to decision on environment clearance taken by the MoEF or SEMA
- ◆ Special Environmental Courts in every district to try offences under this Act

#### What will it subsume?

- ◆ Central Pollution Control Board
- ◆ State Pollution Control Board
- ◆ Existing Supreme Court committees on environment, including the Central Empowered Committee (CEC) and Environment Pollution Control Authority (EPCA)
- ◆ Various provisions of the Water Act and the Air Act

#### Salient features

- ◆ NEMA and SEMA will act as fulltime processing, clearance and monitoring agency thereby replacing the existing bodies such as Forest Advisory Committee and Expert Appraisal Committee
- ◆ NEMA and SEMA will be given statutory status to deal with all various environmental Acts administered by the government
- ◆ NEMA and state governments cannot give

directions to the SEMA on project clearances accorded by the latter.



- ◆ The ELMA Act will work on the “utmost good faith” principle where the project developers would be obliged to disclose everything about the project and self-certify the facts; concealing facts will draw heavy punishment
- ◆ An appeal can be filed with the new appellate authority within 30 days of the final decision taken by the union government on environment clearance
- ◆ This new authority will lead to ceasing of powers and jurisdiction of existing appellate authorities

### NITI Aayog To Replace Planning Commission

The government has launched a new body called NITI Aayog (Policy Commission) to replace the five-decade old Planning Commission.

It will be headed by a vice-chairman, not deputy chairman as was the case in the Commission. Officials said the new body will comprise the office of Direct Benefit Transfer (DBT), Unique Identification Authority of India (UIDAI), the inter-state councils and Programme Evaluation.

A few of these departments are currently under the Planning Commission, while some function with the ministries.

For example, for DBT, the nodal body is the Planning Commission, while its function like DBT for LPG cylinders is managed by the ministry of oil and natural gas. In the case of inter-state councils some of them are handled by the ministry of home affairs. This marks a formal shift of responsibility of determining the annual plan expenditure from the Planning Commission to the finance ministry.

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## ECONOMIC SCENE

### Direct tax collections rise 5.7%

The government's direct tax collections during April-November of this financial year rose 5.7 per cent to Rs.3.3 lakh-crore over the corresponding period last year. While indirect tax collections during the period stood at over Rs.3.3 lakh-crore, up 7.1 per cent from a year ago. Cumulative tax collections between April-November stand at Rs.6.6 lakh-crore. In the current financial year, the government has budgeted to collect over Rs.13.6 lakh-crore as tax revenue, which requires a 16 per cent growth in direct taxes and 20 per cent growth in indirect taxes to meet the target. For direct taxes, the revenue mop up is targeted at Rs.7.4 lakh-crore while for indirect taxes it is Rs.6.2 lakh-crore.

### Exports lower by 5% in Oct,

Merchandise exports fell 5.04 per cent to \$26.09 billion in October from \$27.48 billion a year earlier. The fall in exports, the first this financial year, comes at a time when the government is pushing policy measures, as well as campaigns such as 'Make in India'. The decline was primarily due to exports of major export items such as engineering goods, drugs and pharmaceuticals and gems and



jewellery falling 9.18 per cent, 8.33 per cent and 2.25 per cent, respectively, according to data. According to initial estimates, exports in April-October rose 4.72 per cent — from \$181.23 billion to \$189.79 billion.

### At 5.3% GDP growth beats estimates

For the quarter ended September, India's gross domestic product (GDP) grew 5.3 per cent, compared with 5.7 per cent in the previous quarter. The fall was primarily due to slow growth in the manufacturing sector, which expanded only 0.1 per cent, compared with 3.5 per cent in the previous quarter. As such, growth for the first half of this financial year stands at 5.5 per cent, compared with 4.9 per cent for the corresponding period last year.



*What to do with a mistake:  
recognize it, admit it, learn from it, forget it.*

*Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so.*