Industrial View

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- Editor

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APK Reddy

E cells in institutes

HARBINGER TO NEW INDUSTRIALIZATION

Recently, I was invited as chief guest to a student-entrepreneurial initiative in Nalanda Engineering College, Kantepudi- Sattenapalli near Guntur. The Chairman of our FSME cell development programme, Mr Ramana Rao, who is a retired IAS officer, was very keen on setting up entrepreneurship cells (e-cells) in institutes. We share a common opinion that the e cells are the forerunners to the industrialization of the regions/ states/ nations.

Nalanda group of colleges, established by the visionary duo- Dr Arimanda Varaprasada Reddy and Dr Vijaya Sarada Reddy of the Nalanda Educational Society in the year 1986, believe in the holistic development of society at large and are researching its efforts in multi-disciplinary activities. They shoulder the responsibility of shaping the Intellect, Character and Physique of every student, because they believe that these students would be the architects to develop a humanized and harmonious society, and the nation as a whole.

I am quite impressed by their vision to impart education, in a conducive ambience, as comprehensive as possible, with the support of all the modern technologies and produce graduates in engineering and other disciplines including humanities, Computer Science & Management, with the ability and passion to work wisely, creatively and effectively for the betterment of the society.

After being in receipt of warmth welcome from the management of the group, I addressed the vast student gathering to sow the seeds of individual entrepreneurship.

According to a latest study on student entrepreneurship, nearly 92 per cent of Indian engineering students have not attended any course in entrepreneurship. The survey also revealed that 57 per cent

of engineering students in India want to start their own ventures in the short to medium term. In China and the US, this percentage is 50 per cent and 65 per cent respectively. Out of those, only three per cent of Chinese and 22 per cent of US students actually ended up joining a start-up or launching one of their own. In India, however, this is probably below 1 per cent.

After the bifurcation of Andhra Pradesh, it is high time, we indulged in the reconstruction of AP, particularly in industrial sector. Irony is that the Andhra Pradesh, with record number of engineering colleges in India, witnessed no institutions with entrepreneurship cells (e-cells). Keeping all factors in mind, I called upon the students to dream high to become a successful entrepreneur.

India needs a large number of young entrepreneurs, who can be nurtured at the college level. The opportunities in India for youth are not increasing at the same scale at which India is adding young people to its fold. On the other hand, the engineering colleges should allow students to start a business in the second year to run it for the next three years. By this, students can combine real-life problems as an entrepreneur while pursuing their degree.

College is a safe place to fail as 99 per cent of students will not come out with a product or a solution but would know what it means to start a business, paying salaries, raising money, creating bank account and dealing with profit and loss account – everything about doing business than just reading textbooks.

The model to be made part of their curriculum. At least 20 per cent waiver in attendance must be given to the students to run a business, and 4 per cent grace marks. The entrepreneurship starting at the academic institution is the lever with which we can turn this situation around.

As every student now wants to be a start-up engineer, it is safe to fail when he is a student because there are no implications in real life, less people are dependent on him and this is the time he can experiment and risk failure.

For a venture capitalist, it is cheaper to fund a student whose expectations are lower. Icons such as Bill Gate and Mark Zuckerber started their business as students.

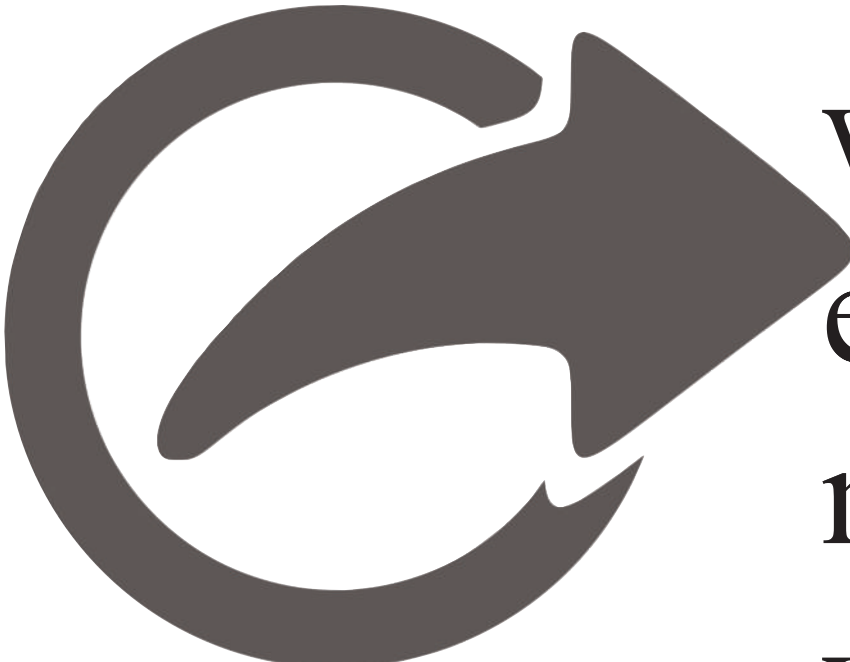
Colleges should make classrooms more interesting for students. Challenge the students to solve real-life problems so that they can contribute back to the society.

In the 20th century, teachers were transferring knowledge from printed material. In this 21st century, a student has lot more knowledge than teachers and both have access to the same source available on the Internet.

The faculty, in this context, must play a pivotal role. The lecturers must help students apply knowledge to solve real-life problems. That's how one can bring knowledge together in a classroom, which then becomes a lab.

We need a better model for everything in our life not just about information technology. We have to rethink what we are doing today. We have to reengineer, reinvent for the 21st century. I believe India can contribute back to the world new models, new pedagogy and new solutions.

- ***APK Reddy***



Exporters want to engage more with Iran

With western sanctions easing, Indian exporters are willing to engage more with Iran where the EEPC India is planning to field a delegation this year, Chairman of the engineering exporters' body, EEPC, Anupam Shah has said.

As long as the western restrictions were tough on the key Middle East country, the Indian exporters were hesitant to visit Iran fearing that an Iranian visa on their passports could come in the way of receiving visa from the US, though there was no written rule about it, EEPC India Chief said.

With the hesitation on the part of Indian exporters to engage with Iran for the fear of reprisal from the US is fast easing, EEPC is planning to take a delegation to Teheran this year.

In this backdrop, a demand has been made to the External Affairs Ministry to take up with the Iranian authority to give Indian exporters stapled visas, although it was not acceded.

"That fear is going away and we would like to tap the full potential of doing engineering exports to Iran," the EEPC chief said, adding that the trade body has been given clarification that no such apprehension should be nursed.

He said the situation has changed significantly after the November deal between Iran and the US and other western nations under which the Middle Eastern nation has agreed to scale down its uranium enriching programme.

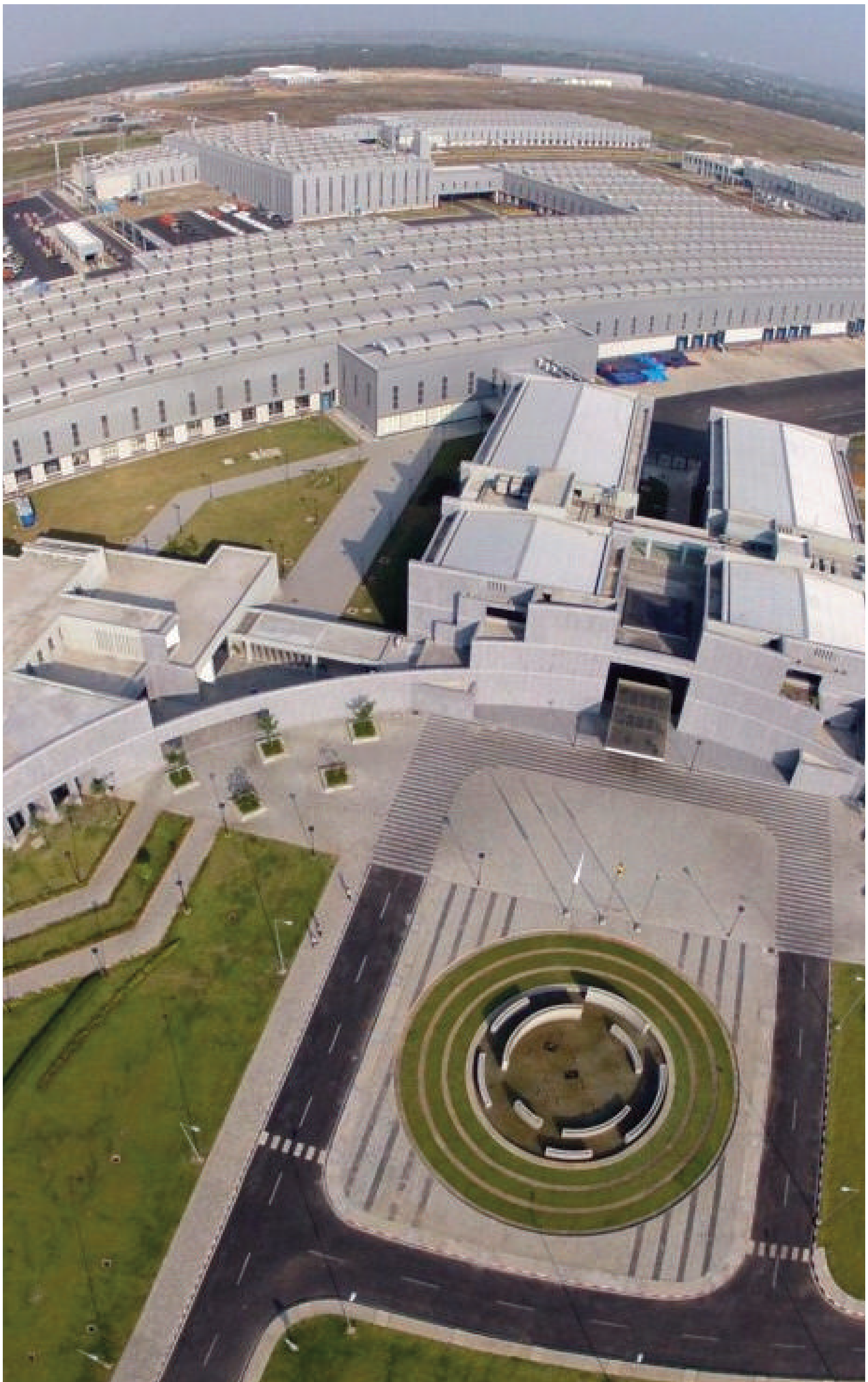
In fact, an Iranian delegation had visited the recently- organised India Engineering Sourcing Show (IESS) in Mumbai, jointly organised by the EEPC India and the Commerce Ministry.

With the easing of western sanctions, the problem of payment and receipts is also getting sorted out and the business people from the two countries will be able to do business in a far more effective way, Shah said.

India can be a big supplier of automobiles, including the components, steel, pipes, valves and oil machinery to Iran. The export of engineering items can reduce the trade imbalance as well, since India still imports significant quantity of crude oil from Iran.

TN to set up auto cluster

SME component makers to get boost



The Tamil Nadu government will set up an 'Auto City' in over 1,000 hectare industrial park where global auto giants and the local component makers will be able to set up their manufacturing facilities. The initiative will give a boost not only to the large corporations but also to their vendors in the SME segment.

A special purpose vehicle, Automotive Industrial Development Centre offering investment facilitation to investors would implement the ambitious project, according to the state government.

The Auto City would be equipped with a state of the art logistics hub to provide multi modal transport and common infrastructure like effluent treatment and waste management facilities.

Meanwhile, the Central ministries of shipping will be approached for constructing a multi-level parking in the major ports of the state, as per the policy vision of the state government.

The State government would also promote auto clusters in Tiruchirappalli, Tirunelveli and Tuticorin districts . Madurai and Coimbatore would be provided with additional facilities. The new auto clusters would be promoted by the state agency- SIPCOT.

Tamil Nadu has emerged as a big centre for automobile components, an area with a large presence of the SMEs. The state accounts for 35 per cent of India's auto component production worth about Rs 40,000 crore.

US files dispute case against India over DCR in solar production

The United States has filed a case at the World Trade Organisation, accusing India of adopting discriminatory measures that stipulate domestic content requirement (DCR) for solar producers.

"In a communication received on 11 February 2014, the United States notified the WTO Secretariat of a request for consultations with India concerning certain measures relating to domestic content requirements for solar cells and solar modules. The measures correspond to Phase II of the Jawaharlal Nehru National Solar Mission programme," said a WTO news item recently.

India had adopted the Jawaharlal Nehru National Solar Mission programme to promote development of solar power generation facilities.

"According to the United States, India requires solar power developers to purchase and use solar cells and solar modules of domestic origin. The United States adds that solar power developers receive certain benefits and advantages, such as long term tariffs for electricity, contingent on their purchase and use of solar cells and solar modules of domestic origin.

"The claim states that India provides less favourable treatment to imported solar cells and solar modules that that accorded to like products originated in India and they are trade-related investment measures inconsistent with India's obligations under the GATT," WTO said.

The complaint has to do with India's domestic content requirement: "Out of the total capacity of 750 MW under Batch-I Phase-II, a capacity of 375 MW will be kept for bidding with Domestic Content Requirement (DCR). Under DCR, the solar cells and modules used in the power plant must both be made in India. The developers at the time of bidding may opt for either "DCR" or "Open" or both the categories. The Developers will submit separate Bids in case they wish to bid under both the categories," the RFS (Request for Selection) document for 750 MW grid connected solar photo voltaic projects under JNNSM Phase II Batch I. document said.

On 20th January the Solar Energy Corporation of India (SECI) opened bids for the 750 MW Solar projects to be allotted under the JNNSM Phase II Batch I.

The Cabinet Committee on Economic Affairs last year had approved the implementation of a scheme for setting up of 750 MW of Grid-connected Solar PV Power Projects under Batch-1 of Phase-11 (2013-17) of the Jawaharlal Nehru National Solar Mission (JNNSM) with Viability Gap Funding (VGF) support from the National Clean Energy Fund (NCEF).

The estimated VGF requirement for the scheme is to the tune of Rs. 1,875 crore at the rate of Rs.2.5 crore/ MW. The VGF scheme will facilitate setting up of the 750 MW grid connected solar power projects, in mainly the private sector on Build, Own and Operate (BOO) basis at various locations.

The request for consultations formally initiates a dispute in the WTO. Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further with litigation. After 60 days, if consultations have failed to resolve the dispute, the complainant may request adjudication by a panel.

Indian busin
make first U

India's largest business angels group is set to make its first investment in a UK start-up. The successful London-based company, Swiftshift, has invented a software solution that allows companies to quickly fill short notice shifts using their own staff through SMS, email, and mobile technology.

The Indian Angel Network (IAN) is Asia's largest angel network of over 250 investors comprising successful entrepreneurs and CEOs, spread across 10 countries.

Commenting on the move, Minister for Government Policy, Oliver Letwin said, "The UK consistently ranks in the top three places for global investors due, in part, to the dynamism and innovation of our start-up companies. There is a wealth of British talent and potential that needs the right investment and bringing the Indian Angel Network to this country forms part of our efforts to ease access to finance for start-ups and attract foreign capital."

"I am thrilled that they are set to make their first investment and hope that this will be the first of many," added the recent British High Commission release quoting Letwin.

Offering his comments, co-founder of IAN, Saurabh Srivastava who is leading the initiative said, "The UK is home to some of the best innovation and R&D in the world. IAN, is a rare and possibly the only angel group in the world that has global membership and invests globally, with nimble yet robust, standardised, transparent processes that operate across geographies.

Expressing his gratitude to the UK government for it support, Srivastava said they were excited about supporting innovative UK startups, going global, fostering UK India collaboration

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in the early stage arena and driving economic growth in the region.

"We are delighted to have decided on our first UK investment and we believe that SwiftShift's product will be sold around the world," he added.

The announcement was followed by a reception for the IAN investor group at Number 10 this week attended by the Prime Minister, Vince Cable, Matthew Hancock and Oliver Letwin.

In November the Prime Minister met the IAN Network in India where they agreed to set up a UK base to invest in British start-ups.

Indian firms are now the 5th largest investors in the UK and more than 50 per cent of Indian investment into Europe goes to the UK.

Today's announcement was facilitated by UK Trade and Investment (UKTI) as part of its strategy to target investment from high-growth markets such as India and China.

The Indian Angel Network decided to invest in Swiftshift following a pitching session in London organised by UKTI where seven companies presented to the investors. The network was also impressed by three of the other companies and has agreed to continue talks with them.

The audit and tax advisory firm KPMG also announced today that it is supporting this initiative by becoming a corporate partner for the IAN network, which will see them provide support services for the IAN in the UK.

Horticulture

Major contributor to food basket

The World Health Organization (WHO) states that Food Security is achieved "when all people, at all times have physical and economic access to adequate/sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life". Food security therefore, is not achieved in Indian context without the contribution from Horticulture.

With a production of 269 million tonnes in 2012-13, the horticulture sector has emerged as a major contributor to the food basket of India.

Increase is growth of this sector during the 11 th Plan can be attributed to crop clusters, farmer-producer organisations and cold storage capacity. The recently approved mission on integrated growth of horticulture is likely to spur growth further.

"Horticulture production grew by more than 8 per cent during the last decade. As compared to the production of 257 million tonnes in the previous year and 215 million tonnes about five years ago, there has been significant jump in the horticulture production, thereby leading to higher per capita availability of horticulture produce like fruits and vegetables having high domestic consumption, besides other commodities like spices, cashew etc. having high export potential," said an official notification from the Ministry of Agriculture.

The country is now the world's largest producer of Mango, Banana, Papaya, Pomegranate, Sapota, Aonla and Okra and has the second highest position in Brinjal, Cabbage, Cauliflower, Onion, Potato and Peas. Tomatoes are also produced in sizable quantity, the notification added.

"This has been possible on account of the governmental interventions under the schemes of National Horticulture Mission (NHM), Horticulture Mission for North East and Himalayas States (HMNEH), National Mission on Micro Irrigation (NMMI), National Horticulture Board (NHB), Coconut Development Board (CDB) and Vegetable Initiative for Urban Clusters (VIUC)," it said.

While the NHM covers 66 crop clusters in 383 districts in 18 States and 4 UTs, the coverage is in all the districts of HMNEH States. Under NMMI, about 4 million hectares have been brought under improved irrigation systems such as drip and sprinkler irrigation.

Under VIUC scheme, about 4 lakh farmers were mobilized into 23,000 Farmer Interest Groups (FIGs) and 192 Farmer Producer Organizations (FPOs), besides providing technical support and assistance for taking up cultivation of vegetables in open field and protected cover.

National Centre for Cold Chain Development (NCCD) has been addressing the issues on cold chain infrastructure particularly in introducing standards and protocols related to cold chain testing, verification, certification and accreditation as per International norms. Cold storage capacity of over 30 million tonnes has been created out of which about 2 million tonnes was created during the last two years.

The momentum generated during XIth Plan will be accelerated during the XIIth plan by implementing the Mission for Integrated Development of Horticulture (MIDH), by subsuming six ongoing schemes on horticulture. The Mission would give focus on production of quality planting material, enhancement of production through productivity improvement measures, creation of infrastructure for reducing post-harvest losses, besides setting up markets for improved marketing of horticulture produce.

Mobilization of farmers into Farmer Producer Organizations and strengthening of horticulture statistics are added feature of the scheme. MIDH will cover all states and UTs in the country and would cover all horticulture crops, including bamboo.

DISEASE OF GIG

Large hydro-electric dams cause damag

Speaking to the Central Board of Irrigation and Power in November 1958, Jawarhalal Nehru deplored a "dangerous outlook developing in India", which he termed the "disease of giganticism". The "idea of doing big undertakings or doing big tasks for the sake of showing that we can do big things," remarked Nehru, "is not a good outlook at all". For it was "the small irrigation projects, the small industries and the small plants for electric power which will change the face of the country, far more than a dozen big projects in half a dozen places". Nehru drew his audience's attention to "the national upsets, upsets of the people moving out and their rehabilitation and many other things, associated with a big project". These upheavals would

GANTICISM

ge to emerging economies

be on a lesser scale in a smaller scheme, enabling the State to "get a good deal of what is called public co-operation".

What made Nehru change his mind? As a democrat, Nehru was attentive to the rights of the lowly and vulnerable. As a scientist, he was open to changing his mind in the face of new evidence. Thus it was that, in the evening of his life, this once-great proponent of large dams started contemplating more democratic and more scientific alternatives. Now, a new research from Oxford University reinforce Nehruvian ideas.

New research from Oxford University reveals that large hydro-electric dams are unviable and are seriously damaging emerging economies. It has also indicated the cost of building such dams are 90 per cent higher that budgeted and hardly ever on schedule.

“The evidence is conclusive: large dams in a vast majority of cases are not economically viable. Instead of obtaining hoped-for riches, emerging economies risk drowning their fragile economies in debt owing to ill-advised construction of large dams,” Saïd Business School, University of Oxford said in a press release.

It refers to an authoritative investigation of whether large dams work or not, based on the most extensive dataset of its kind, conducted by the School.

After a decade-long lull, the construction of large dams has accelerated. Emerging economies of Brazil, China, Ethiopia, Indonesia, and Pakistan among others are rushing to build mega-dams on an unprecedented scale. Yet since 2000, when the World Commission on Dams published its findings, no systematic, global, and independent research has been carried out on the outcomes of large dams.

The study is based on data from 245 large dams in 65 different countries. The findings show the construction costs of large dams are on average +90 per cent higher than their budgets at the time of approval, in real terms. This result is before accounting for negative impacts on human society and environment, and without including the effects of inflation and debt servicing; including these items, costs and cost overruns are much higher.

It also found that the magnitude of cost overruns has not declined over time. Dam budgets today are as wrong as at any time during the 70 years for which data exist. Dam planners seem to not learn from the past. For example, Brazil's Itaipu dam, built in the 1970s, suffered a +240 per cent cost overrun that impaired the nation's public finances for three decades. Despite producing much-needed electricity, Itaipu will likely never pay back the costs incurred to build it. Regardless, Brazil is currently building the controversial Belo Monte hydroelectric project, which has proved non-viable even before opening and awaits a fate like Itaipu's. China, Indonesia, Pakistan and other nations show similar amnesic behaviour regarding the building of dams.

Costs aside, mega-dams also take an inordinately long time to build – 8.2 years on average and often more than 10 years. The Oxford study shows that these long time horizons leave dam projects particularly ineffective in resolving urgent energy crises and especially vulnerable to currency volatility, hyperinflation, political tensions, swings in water availability and electricity prices, a combination of which constitute the typical dam disaster, which is your typical dam project.

Professor Flyvbjerg commented on the causes of the highly inaccurate budgets for dams, ‘Experts making forecasts about megaprojects can be usefully grouped into "fools" or "liars". Fools are the reckless optimists who see the future with rose-tinted glasses. These forecasting fools ignore hard facts and uncertainty, betting the family silver on gambles with very low probability of success. Liars deliberately mislead the public

for private gain, fiscal or political, by painting overly-positive prospects of an investment, just to get it going. The systematically poor outcomes of large dams suggest that "fools" and "liars" have been at the helm,' says Flyvbjerg.

Dr Atif Ansar, fellow researcher added: 'Proponents of mega-dams tend to focus on rare stories of success in order to get their pet projects approved. The purported success of the Hoover dam in the USA, for example, is an often-heard argument in favour of building new large dams. Instead of relying on the outcome of just one project, decision makers should consider evidence for the entire population. In the case of large dams, the probability of failure dominates.' 'If leaders of emerging economies are truly interested in the welfare of their citizens, they are better off laying grand visions of mega-dams aside,' Ansar continued. 'Proponents of mega-dams express concern that renewable water resources could be wasted if mega-dams are not built. Our research shows that as a general rule of thumb, many smaller, more flexible projects that can be built and go online quicker, and are more easily adapted to social and environmental concerns, are preferable to high-risk dinosaur projects like conventional mega-dams,' concluded Flyvbjerg .

Support manufacturi
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innovation: Oxford S

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Scholar

Start-ups are great but the longer term innovation and scaling up is crucial for local employment and growth, a scholar at the Said Business School, Oxford University has said.

"As the Government makes UK pounds15 million available to establish new University Enterprise Zones across the country, an Oxford academic has warned that too great a focus on short-term innovation could damage its long-term ability to innovate and grow. New policies are needed to encourage longer-cycle innovation and local production," said a release from Saïd Business School, University of Oxford.

Speaking about a recent research he had conducted, "Liberal market economies such as the UK and USA believe primarily in supply-side policies in which laissez-faire venture capital markets and technology-push research funding drive innovation,' Saïd Business School academic Hiram Samel said.

"This over stimulates short-term innovation so we get thousands of app builders, but does less for the long-term, more complex innovation that yields national competitive advantage and local employment and growth. Our research in the USA has shown how a start-up culture leads companies with novel technology to move overseas at the crucial manufacturing and scaling stage, taking with them important knowledge, skills, and capabilities. Start-ups are great, but the Government should also look at policies to encourage longer-cycle innovation and scale-up," he added.

Samel's comments arise from a major study of the growth patterns of start-up companies in the USA. He says that the lessons drawn from this work indicate that the UK should implement new policies now to ensure that manufacturing keeps pace with innovation.

In a new article Samel and his co-author, Elisabeth B. Reynolds, executive director of the MIT Industrial Performance Centre, revealed the preliminary results of their study of 150 start-up companies that licensed MIT technology between 1997 and 2008.

They looked at growth patterns and, particularly, at the crucial move from the research and development phase to manufacturing, when it is common for companies to move overseas.

According to the paper, 'When firms head overseas to scale their products, the US loses the knowledge, skills, and capabilities that come with this next stage, and this diminishes its ability to innovate in the future.'

According to their research:

- Although the availability of financing in the USA is conducive to start-ups, most investors, particularly venture capitalists, want to exit their

investments within about seven years. This does not fit with the longer time-frames involved in scaling novel technology, such as advanced materials, life sciences, energy and semiconductors.
- Being part of innovation 'ecosystems', such as Silicon Valley, Boston, or Austin, gave firms access to specialised resources and experienced suppliers which enabled companies to get their ideas into early-stage production.
- However, companies faced financial constraints as they tried to scale. Only 6 per cent raised funds through IPOs, with most finding the capital they needed from corporate investors, including multinational companies and governments. As a result of these new relationships with investors, companies often started their scaling up operations in the new partner's country or production centre.

"Our research took place in the U.S., but many of its lessons are applicable to other countries with a similar attitude to research and innovation," said Samel.

"When young firms head overseas to scale-up, they often take their tacit knowledge - the knowledge that has taken years to develop - with them. The originating country loses not only that knowledge, but also the chance to learn the skills and capabilities that come with the scaling stage. In the past, young companies scaled domestically and these capabilities stayed within the local industrial ecosystem, playing crucial roles in succeeding generations of innovation.

"When firms scale new technology overseas they leave little trace of capabilities for future innovators, decreasing local investment, jobs, new businesses and ultimately economic growth. The nature of future innovation may be uncertain but we do know that it is built upon a foundation of continually evolving industrial capabilities. Once the centre of gravity for industries shifts to the manufacturing countries, so does the best talent and the most innovative technologies. The UK, USA, and other similar economies need to do more to make themselves compelling locations for scaling innovative, production-oriented companies.

Mooted e-paymen
system seeks comm

t

ments

RBI released a draft technical report on making electronic payment system effective in order to ensure a safe, secure, efficient, robust and sound payment system in the country.

"The objective of an effective payment system is to ensure a safe, secure, efficient, robust and sound payment system in the country," RBI said in the report on 'Enabling Public Key Infrastructure (PKI) in Payment System Applications'.

PKI is a set of hardware and software to help users with internet for exchanging data and money securely and privately by using a pair of public and private cryptographic passwords.

The RBI has called for public comments on the suggestions given in the report till February 28.

"It is important to note that while technology such as cryptographic systems can assist in non-repudiation efforts, the concept is at its core a legal concept transcending the realm of technology," RBI said.

There are various PKI-enabled electronic payment systems introduced by the RBI, such as RTGS, NEFT, CBLO, Forex Clearing, Government Securities Clearing, and Cheque Truncation System (CTS).

"Whereas non-PKI enabled payment systems contributed 75 per cent in volume terms but only 6.3 percent in value terms in the year 2012-13," the report added.

Of the non-PKI enabled payment systems, MICR clearing and non-MICR clearing contributed 37 per cent and 10 per cent in volume terms and 69 per cent and 25 per cent in value terms.

"In order to ensure a safe, secure payment system in the country and to ensure legal compliance, digital technology, such as PKI may be used," it said.

The report also highlights, among other things, security features in existing payment system applications and feasibility in implementing PKI in all payments system applications.

The report said that the banks may carry out in phases PKI implementation for authentication and transaction verification.

Payment systems are subjected to various financial risks, such as, credit risk, liquidity risk, systemic risk, operational risk, legal risk.

As customers continue to increasingly adopt electronic payment products and delivery channels for their transactional needs, it is necessary to recognise that security and safety have to be robust," the apex bank said.

"Any security related issues resulting in fraud have the potential to undermine public confidence in the use of electronic payment products which will impact their usage. Necessary measures to strengthen security have to be taken as such attacks are growing in scale and sophistication," RBI added.

Lend An Ear on LENDING

It is famously quoted that the banks operate like a man who either wears his trousers round his chest, stifling breathing, as now, or round his ankles, exposing his assets. We want their trousers tied round their middle: steady lending growth; particularly to productive Indian business, especially small scale enterprise. The Reserve Bank of India (RBI) has come out with a detailed write up on explaining the broad parameters governing the priority sector lending by the banks.

What is meant by Priority Sector?

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.

What are the different categories under priority sector?

Priority Sector includes the following categories:
(i) Agriculture
(ii) Micro and Small Enterprises
(iii) Education
(iv) Housing
(v) Export Credit
(vi) Others

What are the Targets and Sub-targets for banks under priority sector?

Categories Domestic commercial banks / Foreign banks with 20 and above branches (As percent of ANBC or Credit Equivalent of Off-Balance Sheet Exposure, whichever is higher) Foreign banks with less than 20 branches (As percent of ANBC or Credit Equivalent of Off-Balance Sheet Exposure, whichever is higher)
Total Priority Sector 40 32
Total agriculture 18 No specific target.
Advances to Weaker Sections 10 No specific target.

What constitutes 'Direct Finance' for Agricultural Purposes?

(i) Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers] engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture.

(ii) Loans to corporates including farmers' producer companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of Rs 2 crore per borrower.
(iii) Loans to small and marginal farmers for purchase of land for agricultural purposes.

(iv) Loans to distressed farmers indebted to non-institutional lenders.

(v) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) ceded to or managed/ controlled by such banks for on lending to farmers for agricultural and allied activities.

What constitutes 'Indirect Finance' to Agriculture?

(i) If the aggregate loan limit per borrower is more than Rs 2 crore in respect of para. (4) (ii) above, the entire loan will be treated as indirect finance to agriculture.

(ii) Loans up to Rs 5 crore to Producer Companies set up exclusively by only small and marginal farmers under Part IXA of Companies Act, 1956 for agricultural and allied activities.

(iii) Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS).

What constitutes Micro and Small Enterprises under priority sector?

Bank loans to Micro and Small Manufacturing and Service Enterprises, provided these units satisfy the criteria for investment in plant machinery/equipment as per MSMED Act 2006.

Manufacturing sector

Enterprises	Investment in plant and machinery
Micro Enterprises	Do not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees

Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees

What is the loan limit for education under priority sector?

Loans to individuals for educational purposes including vocational courses up to Rs 10 lakh for studies in India and Rs 20 lakh for studies abroad are included under priority sector.

What is the limit for housing loans under priority sector?

Loans to individuals up to Rs 25 lakh in metropolitan centres with population above ten lakh and Rs 15 lakh in other centres for purchase/construction of a dwelling unit per family excluding loans sanctioned to bank's own employees.

What is included under Weaker Sections under priority sector?

Priority sector loans to the following borrowers are considered under Weaker Sections category:-

(a) Small and marginal farmers;

(b) Artisans, village and cottage industries where individual credit limits do not exceed Rs 50,000;

(c) Beneficiaries of Swarnjayanti Gram Swarozgar Yojana (SGSY), now National Rural Livelihood Mission (NRLM);

(d) Scheduled Castes and Scheduled Tribes;

(e) Beneficiaries of Differential Rate of Interest (DRI) scheme;

(f) Beneficiaries under Swarna Jayanti Shahari Rozgar Yojana (SJSRY);

(g) Beneficiaries under the Scheme for Rehabilitation of Manual Scavengers (SRMS);

(h) Loans to Self Help Groups;

(i) Loans to distressed farmers indebted to non-institutional lenders;

(j) Loans to distressed persons other than farmers not exceeding Rs 50,000 per borrower to prepay their debt to non-institutional lenders;

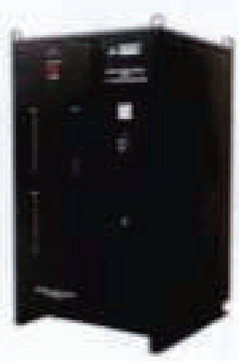
(k) Loans to individual women beneficiaries up to Rs 50,000 per borrower;

What is the rate of interest for loans under priority sector?

The rate of interest on various priority sector loans will be as per RBI's directives issued from time to time, which is linked to Base Rate of banks at present. Priority sector guidelines do not lay down any preferential rate of interest for priority sector loans.

Transmission Line & Tower-erection projects

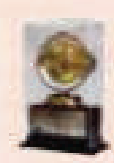
Air & Oil Cooled Servo Stabilizer



Power Distribution Unit

Isolation Transformer

UPS & Tall Tubular Battery



“De-registered MSEs with SSI status can sell stake to foreign investors”

RBI has allowed the micro and small enterprises (MSEs) which are no more registered with their small scale industry status to sell stake to foreign investor to help them finance their expansion programme in the allowed sectors.

"…an Indian company which is a small scale industrial unit and which is not engaged in any activity or in manufacture of items included in Annex A, may issue shares or convertible debentures to a person resident outside India, to the extent of 24 per cent of its paid -up capital provided that such company may issue shares in excess of 24 per cent of its capital, with certain conditions.

The conditions are - it has given up its small scale status; it is not engaged or does not propose to engage in manufacture of items reserved for small scale sector; and it complies with the ceilings specified…." an RBI notification said.

"It has been decided that such companies may issue shares or convertible debentures to a person resident outside India," it added.

"A company which is reckoned as Micro and Small Enterprises (MSE)... may issue shares or convertible debentures to a person resident outside India, subject to the limits prescribed," the apex bank said.

It also allowed industrial units that are not MSEs to issue shares in excess of 24 per cent of its paid up capital with approval of the government.

"Any Industrial undertaking, with or without FDI, which is not an MSE,...may issue shares in excess of 24 per cent of its paid up capital with prior approval of the Foreign Investment Promotion Board," the RBI said.

Small scale units are not allowed to engage in banking, financial services, civil aviation, petroleum, housing and real estate development for investment, venture capital, investment in infrastructure and service sector, atomic energy/related projects, defence, agriculture, print media, broadcasting and postal services.

As per the existing RBI rules, small units may issue shares or convertible debentures to a person or an entity outside India (other than a citizen of Bangladesh or Pakistan or Sri Lanka) up to 24 per cent of paid-up capital if it has given up its small scale status.

They can also issue shares or debentures if they are not engaged in manufacturing of items reserved for small scale sectors.

The RBI decision will help small units finance their expansion programme in the allowed sectors.

Further, in terms of the provisions of MSMED Act, - in the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951, a micro enterprise means where the investment in plant and machinery does not exceed twenty five lakh rupees; a small enterprise means where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five crore rupees; and in the case of the enterprises engaged in providing or rendering services, a micro enterprise means where the investment in equipment does not exceed ten lakh rupees; a small enterprise means where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees.

Payment banks for MSMEs have to wait, RBI examining it

The Reserve Bank will examine the viability of setting up of 'Payments Banks' or specialised banks to provide services to small and medium enterprises (SMEs) and there is no decision yet on the issue, RBI Governor Raghuram Rajan said.

"At this point there is no decision to move forward. We will look at it in great detail, including what value it brings, the viability as well as whether it presents arbitrage opportunities vis-a-vis the Schedule commercial banks," he had told reporters on the side-lines of Nasscom India Leadership Summit in Mumbai recently.

Rajan said only after looking into all issues, will the RBI firm up views on whether to "move forward and if so, under what structures".

RBI panel, headed by Nachiket Mor recently recommended that a special category of banks, called payments banks, be set up to widen the spread of payment services and deposit products to small businesses and low-income households.

These banks, it said, can be set up with minimum capital requirement of Rs 50 crore, one-tenth of the Rs 500 crore required for a full-service bank.

Meanwhile, delivering the D R Gadgil Memorial Lecture in Mumbai recently, Rajan said that "We have consciously adopted the bank led model for mobile banking, while the non-banks, including Mobile Network Operators, have been permitted to issue mobile wallets, where cash withdrawal is not permitted as of now.

"The key to cheap and universal payments and remittances will be if we can find a safe way to allow funds to be freely transferred between bank accounts and mobile wallets, as well as cashed out of mobile wallets, through a much larger and ubiquitous network of business correspondents," Rajan said.

The Nachiket Mor Committee suggests the creation of Payment Banks as a step towards this goal. Other suggestions include interoperable business correspondents who will get the scale economies to serve in remote locations, and the usage of NBFCs as banking correspondents. We will examine all this," he added.

Furthermore, Rajan also said that, "The Nachiket Mor Committee has also opined on how priority sector norms can be altered so that we achieve the objective of credit to priority sectors, even while doing it more efficiently."

So, for example, banks that are good at rural lending should do more of it, while banks that are good at lending to micro and small enterprises should be free to specialize there, he said.

"The Committee advocates attaching weights to performance on different norms and adding performance up. So one bank may achieve its priority sector target by lending predominantly to agriculture, while another may lend only to MSMEs in meeting its target.

"The weights will be adjusted so that overall targets are met by the system. So if agricultural lending is inadequate while we are getting over-performance on MSME loans, the weight on the former will be increased while the weight on the latter will be reduced. These are interesting ideas, and we will explore them in greater detail," RBI Governor added.

4 non-bank entities permitted for white label ATMs

The Reserve Bank today said it has issued 'certificate of authorisation' to four non-bank entities, including Tata Communications Payment Solutions and Muthoot Finance, to set up White Label ATMs (WLAs) in the country.

The other two non-bank entities to which the Reserve Bank has issued the certificate for setting up and operating the White Label ATMs are Prizm Payment Services and Vakrangee Ltd.

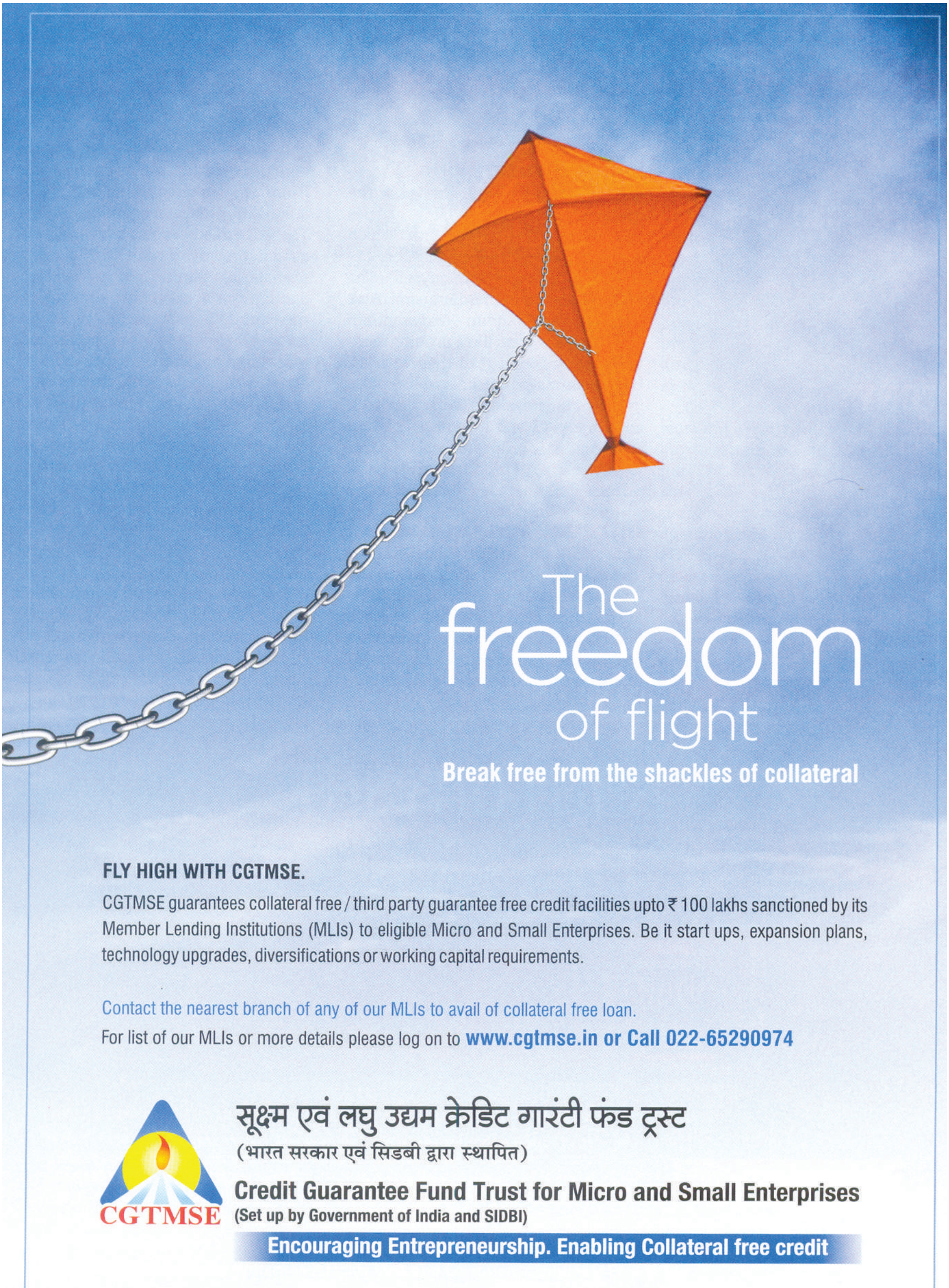
While Tata, Muthoot and Prizm have already launched their services, Vakrangee Ltd is likely to commence its service shortly, the central bank said.

Most of the ATMs belong to banks, but the cash dispensing machines which are owned and operated by non-banking companies are called White Label ATMs.

In June 2012, the RBI had issued policy guidelines permitting non-bank entities to set up and operate WLAs. Prior to this, only banks were permitted to set up and operate ATMs in the country.

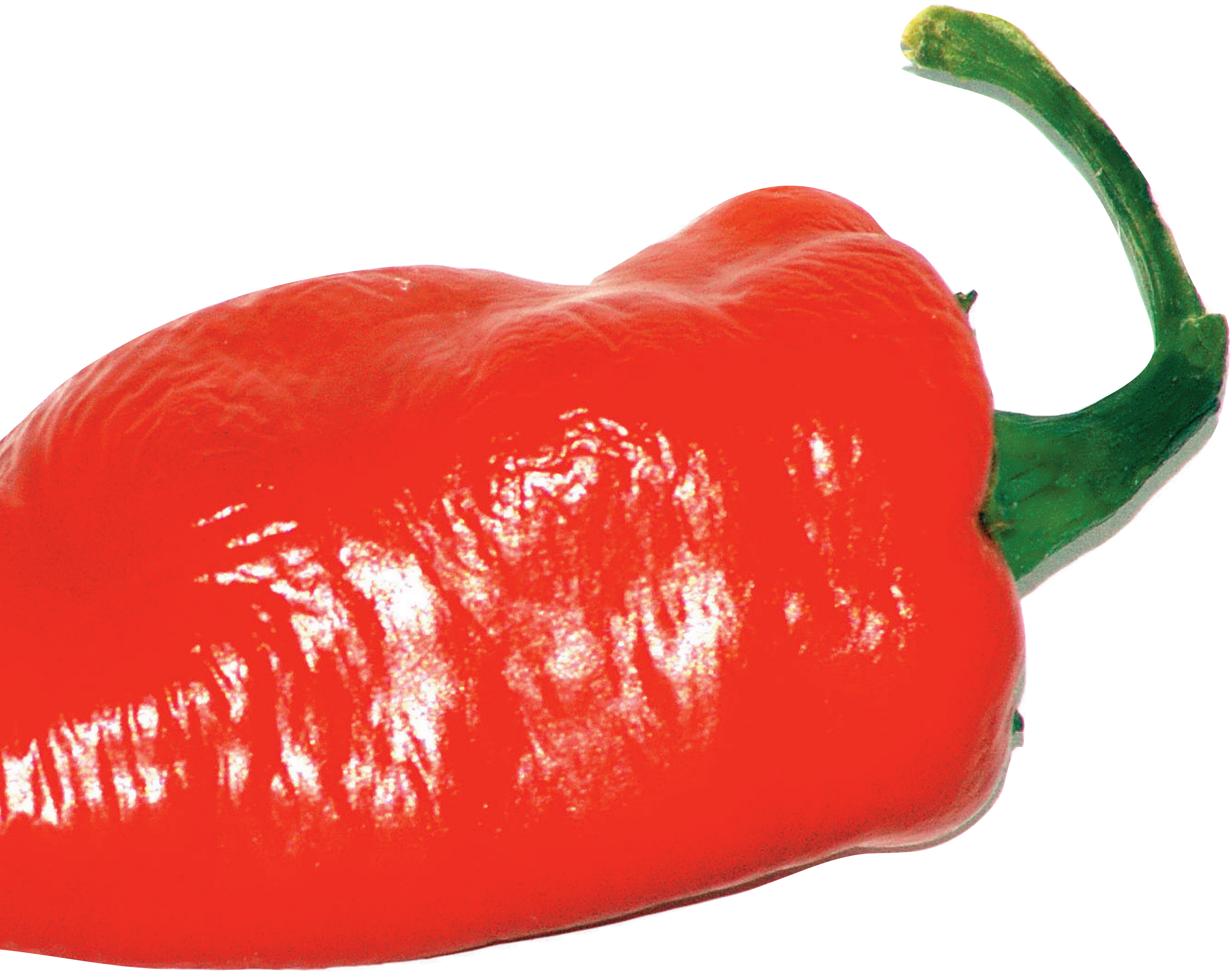
The primary objective of permitting non-banks to operate WLAs, RBI said, was to enhance the spread of ATMs in semi-urban and rural areas (mainly in tier III to VI areas), where bank-owned ATM penetration was not growing.

Under the new guidelines, certain minimum number of WLAs need to be installed in these areas within a year as per the scheme opted by the respective operators.


The freedom of flight
Break free from the shackles of collateral
FLY HIGH WITH CGTMSE.
CGTMSE guarantees collateral free / third party guarantee free credit facilities upto ₹ 100 lakhs sanctioned by its Member Lending Institutions (MLIs) to eligible Micro and Small Enterprises. Be it start ups, expansion plans, technology upgrades, diversifications or working capital requirements.
Contact the nearest branch of any of our MLIs to avail of collateral free loan.
For list of our MLIs or more details please log on to www.cgtmse.in or Call 022-65290974
सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट
(भारत सरकार एवं सिडबी द्वारा स्थापित)
CGTMSE
Credit Guarantee Fund Trust for Micro and Small Enterprises
(Set up by Government of India and SIDBI)
Encouraging Entrepreneurship. Enabling Collateral free credit

Spice Crops

Micronutrient mix offers lucrative biz model



Adoption of high production technology and cultivation of high yielding varieties have put tremendous pressure on soil nutrient reserve in the country leading to a great imbalance in nutrient status in the soil. A large chunk of soil in the country has been rendered deficient in micronutrients, which is one of the major reasons that crops have stopped responding to fertilizers, according Indian Institute of Spices Research (IISR) in Kozhikode.

Abdu Manaf K

Kozhikode based Indian Institute of Spices Research (IISR) has developed a crop specific soil pH based micronutrient mixture for improving production of black pepper, cardamom, ginger and turmeric crops.

The Institute has offered business opportunities to entrepreneurs who want to produce and market these micronutrients on a commercial scale. The products are in the process of patent protection and commercialization. Entrepreneurs who want to produce and market these mixtures on a commercial scale can approach the institute for getting non-exclusive licenses.

The Institute Technology Management and Business Planning and Development Unit (ITM-BPD Units) at IISR also help the entrepreneurs to prepare business plans for establishing manufacturing units. The BPD unit also provides consultancy services for commercial production. The mixtures are available at IISR Chelavoor campus as well as at Krishi Vigyan Kendra, Peruvannamuzhi.

India - the land of spices is the biggest producer, consumer and exporter of spices. The country grows over 50 different varieties of spice and produces around 2.7 million tons of spices. Around 0.25 million tons of our total produce (8-10 per cent) is exported and the Indian share of the world trade in spices is 45-50 per cent by volume and 25 per cent in value. In other words, spices sector account for 6 per cent of the agricultural GDP of the country. No wonder, spices plays a pivotal role in Indian economy.

The flavor and fragrance of spices depend on the soil on which they are grown. Continuous exploitation of this precious soil without replenishing the nutrients, especially micronutrients, results in low yield, poor quality of the produce besides making the crop susceptible to pests and diseases.

Indian Institute of Spices Research (IISR) in Kozhikode, a premier research organization on spices under the Indian Council of Agricultural Research (ICAR), New Delhi has developed a nutrient mixture which recharges the soil with essential elements and ensures high yield from spice crops.

In India, spices are grown mainly in red and laterite soil of South India, Western Ghats and North Eastern states where soil is highly weathered and low in nutrient status. The productivity is found to be one of the lowest compared to other competing countries and the reason is mainly attributed to improper management. In spices, quality of the produce, amount of oil, oleoresin, curcumin etc are more important as the export basket is mainly concentrating on value added products of spices.

Soil under Pressure

"Adoption of high production technology and cultivation of high biomass producing high yielding varieties have put enormous pressure on soil nutrient reserve and this has led to great imbalance in nutrient pools in the soil," says Director of Indian Institute of Spices Research (IISR), Kozhikode, M Anandaraj.

"A large chunk of soil has been rendered deficient in micronutrients, which is one of the major reasons that our crops have stopped responding to high analysis NPK (Nitrogen, Phosphorus and Potassium) fertilizers. Low pH, Phosphorous toxicity, limited use of micronutrients, chemical fertilizers and application of inadequate quantities of organic manures have made the situation more complex," says Senior

Scientist, Soil Science, IISR, V Srinivasan.

Studies showed that 40-55 per cent of Indian soil is moderately deficient in Zn (Zinc), while 25-30 per cent is deficient in B (Boron). Deficiency of other micronutrients occurs under 15 per cent of soil. These deficiencies/limitations reduce yield significantly.

Micronutrients

Micronutrients are those essential elements like copper, manganese, zinc, iron, boron, molybdenum sulfur etc which are required by plants in very small amounts. Besides promoting plant metabolic activities and growth of the plants, they play a major role in improving quality, size, color, taste, earliness, input use efficiency of NPK fertilizers, water, disease resistance etc. A lesser-understood phenomenon is their role in determining quality and the post-harvest life of harvested produce. As these nutrients are costly and needed in very small amounts normally a fertilizer dealer will not stock them like other bulk fertilizers and hence farmers find it very difficult to correct micronutrient deficiencies.

"In order to find a solution for this serious problem, scientists at IISR have developed crop specific, soil pH based micronutrient mixtures for foliar application in black pepper, cardamom, ginger, and turmeric crops which guarantees 15 to 25 per cent increase in yield and quality," adds Anandaraj.

An innate advantage of these mixtures is that they can also be used in organic agriculture and therefore are gentle and environment friendly. While organic manures enhance soil microbial activity and therefore nutrient transformation or mobilization, these mixtures are guaranteed to enhance both yield and quality of the crop produce.

"The technology is a low cost one and hence farmer friendly. For one acre crop, about 2 kg micronutrient mixtures costing approximately Rs 400 per spray are needed. For each crop two sprays at specific growth stages are recommended," says Chief Technical Officer, IISR, S Hamza.

Crop Specific

The scientists also have standardized its application for various crops. For black pepper foliar spray @ 5g per liter water should be given once during spike initiation with the onset of monsoon and another after two months. For cardamom foliar spray @ 5g per liter water should be given once during panicle initiation and another after three months.

For ginger and turmeric foliar spray @ 5g per liter water once during 60 days after planting and another 90 days after planting is recommended.

The mixtures are soil pH based and are tailor made for acid soil (pH <7.0) and for neutral to alkaline/ sodic soils (pH >7.0). While increased yield and growth is possible due these mixtures, it is important to note that these mixtures should not be mixed with any other chemicals to save labour and time. Though these mixtures are essentially for spice crops, these can be used for increased yield in fruit and vegetable crops as well.

The mixtures were tested in six farmers' fields in various parts of the country. Field trials in ginger were carried out in Kerala and Karnataka while turmeric was done in Kerala, Andhra Pradesh and Tamil Nadu. The micro nutrient mixture for black pepper was tested in Kerala and Karnataka states and cardamom in Madikeri, Karnataka.

Industry relieved

Hopes Rekindled for lasting peace in Telangana, Seemandhra

Manne Sreenivas Rao

With the Telangana issue getting clichéd, the industry in both Seemandhra and Telangana today expressed hope that the much needed peace will be restored and the days of frequent strikes and bandhs will come to an end.

Different industry associations of the state felt that while Hyderabad will remain the industrial hub of Telangana, Visakhapatnam and Vijayawada will become home for new centres of development of industries such as information technology. A large number of engineering colleges are located in this area.

Commenting on the impending bifurcation of the state of Andhra Pradesh, president FSME, APK Reddy told KNN, "Yes, peace will be restored in both the areas. But there is a fear in Telangana area that naxalism will provoke and influence the society in some areas, as earlier, such as before 1985 and that the episode of Chhattisgarh will replicate in Telangana region."

"The civil unrest in the form of the strikes and bandhs etc, will

come to an end at the earliest, but there will be some unrest in residuary Andhra Pradesh, since there is a huge gap of revenue and expenditure for them and the geographical location of their capital is still to be decided. However, both Rayalaseema and Coastal Andhra people are expecting the proposed capital in their respective regions; this may lead to some minor unrest in residuary Andhra Pradesh," he added.

As to which areas will become the hubs of industrial activities in Seemandra, President Fapsia, V Bhaskara Rao said that the area is presently the centre for agri related industries. The only major industry is Rastriya Ispat Nigam Ltd (RINL vizag steel) and the proposed incentive is establishment of a new port in PSU sector. As a result port based business is likely to increase in places other than Visakhapatnam and Krishnapatnam (Nellore district) as well.

He further said that in recent days Visakhapatnam was becoming a hub for pharmaceutical industry, and with the incentives proposed, the pharma industry may further grow in the city and avail of excise duty and other incentives.

In addition, since the Seemandhra area is primarily agri-based, the proposed incentives will increase the opportunities for the food processing industry.

Bhaskara Rao also feels that if the new Government of Seemandhra gave focus to the IT sector it would flourish in Visakhapatnam and Vijayawada areas, since it is home to a huge number of engineering graduates. Also, considering that the present Microsoft CEO Satya Nadella is from that region, with his connections the IT sector or a part of it may be established in the region.

Commenting on the power situation, Secretary, CII, Vijayawada chapter, Y Seshasai Babu, a Financial Analyst said that Telangana region is short of 4000 MW to meet their immediate requirement and another 4000 mw will be needed, if the ongoing lift irrigation schemes are completed.

"For short term of 10 years the residuary Andhra Pradesh will sell their surplus power to Telangana. However, if their requirements increase, Telangana may face huge power deficit. The only way Telangana may get power is through the recently completed North-South power corridor. The entire South India is facing a power problem and thermal power is becoming costlier day by day. The increased power shortage in Telangana area is likely to affect the Industry considerably and any increase of power tariff due to intermediary purchase, will also affect the running costs of the industrial sector," he said.

On the possibility of relocation of industries in both the states, the three leaders feel that in the tiny, micro sector some industries may relocate, to explore their new opportunities in residuary Andhra Pradesh and avail the tax incentives etc in that region.

Most of the industries (65 per cent) in and around Hyderabad belong to residuary Andhra Pradesh and the remaining to people across the country. In those industries, the labour incentive units feel that there might be a problem from Telangana political leaders, with their involvement in Trade Unions.

As far as Hyderabad is concerned, it will remain an IT centre with major units already established there by world IT leaders such as Microsoft, Wipro, CA, Infosys, TCS etc. However, some of the units may extend their arm to Visakhapatnam and Vijayawada.

Hyderabad will remain the industrial hub, while the development of other industrial centres will depend on the policy of the new government to be formed in Telangana. The major political party in Telangana has assured that it will try to develop Karimnagar as a Textile zone, Medak as automobile zone, Nalgonda as Food processing zone and also explore regional based industrial growth.

Crucial infrastruct
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B Krishna Mohan

June 2 should be considered D-day in the life of Andhra Pradesh because this is when India's 29th state, Telangana, will come into being. The cusp of big expectations is tempered by Herculean challenges.

Limited resources at disposal, difficulties in garnering land banks for attracting industries and the somewhat uncertain prospects of a brand new government, are just some that will need to be tackled head on. Various departments are digitalising official records using high-speed scanners to make them ready by the anointed date.

Those who know the innards of government working believe residuary Andhra Pradesh will find it difficult to garner salaries for its employees. Telangana, on the other hand, will face power shortage as consumption outstrips generation capacity.

Political parties are promising the moon — the financial conditions of the two states are hardly their problem.

Telugu Desam Party (TDP), led by former chief minister N Chandrababu Naidu — out of power for ten years now — claims 5 million jobs could be created in Telangana in 10 years. In addition, TDP also promised a monthly dole of Rs 2,000 to the unemployed, Rs 5 lakh insurance cover for lorry and taxi drivers, a Rs 1, 000 crore market intervention fund, national highways and bullet trains to all district headquarters, Rs 10,000 crore budget for the welfare of backward castes, you name it.

In Andhra Pradesh, there would be waiver of crop and DWCRA loans for women, nine-hour free power to agriculture, Rs 5,000 crore prices stabilisation fund, a security set up for rescuing women in distress within five minutes, round-the-clock power supply to households and industries, free education from KG to PG to the poor, tablets for college students and many more.

The Telangana Rashtra Samithi, which spearheaded the Telangana movement, has its own list of dos. It plans to waive farm loans up to Rs 1 lakh, pay the state government employees on par with central government employees, abolish contract system of employment, create 14 more districts, additional employment of about one lakh, free education and 2bhk houses for poor and many more.

The reality is pretty grim. In terms of land bank, the Andhra Pradesh Industrial Infrastructure Corporation (APIIC), which is the nodal agency for land allotment to industries, has about 40,000 acres including 35,000 acres in Andhra and 5,000 acres in Telangana, according to Telangana industries forum president Sudhir Reddy.

With the recent Land Acquisition Act, the cost of land to be acquired by the government agencies for setting up industrial parks will go up three-fold. It would be required to pay market price and offer relief and rehabilitation to those dependent on the land. All of this will increase the costs of setting up industrial parks, which are sought by the MSME players. "After the new act brought by the centre, it has become very difficult and expensive to acquire land for industries," said Reddy.

The total land taken possession

in Andhra Pradesh is 97,873 acres while Telengana has 28,252 acres. Of this, Rangareddy and Medak between the two account for 23,500 acres and the remaining eight districts in Telangana cobble together only 4,900.

The total number of industrial parks in Andhra Pradesh is 199 while 133 are located in Telangana – here again Rangareddy and Medak have 90 of them leaving a measly 40 for the rest of Telangana.

"We should ensure smooth transition of land use as well as equitable distribution of additional income in order to leave populations dependent on a particular tract of land considerably better off," said Vanitha Datla, vice-chairperson, CII (Andhra Pradesh).

Governments should conduct land zoning for allocation to agriculture, urbanisation and industrialisation. Land bank corporations, tasked with scientific acquisition of non- cultivable land and its development, should be created. We need a transparent policy for allocating land to industry, Datla said.

The special category status (SCS), announced by the prime minister to Andhra is seen as the talisman to attract new investments.

For an SCS state, the normal central assistance (NCA) is split into 90 per cent grant and 10 per cent loan. For other states, the grant to loan ratio is 30:70. SCS states enjoy concessions in excise and customs duties, income tax rates and corporate tax rates.

However, industrialists in Telangana are not amused. "No industrialist can ignore SCS- related tax benefits and will ensure that all or most of the proposed investment to Telangana will move to Seemaandhra,'' fumes Reddy of TIF.

Telangana will suffer a flight of capital as industrialists would seek to leverage the SCS- related tax benefits and can lead to permanent damage of reconstruction activities. "No amount of innovation or efficiency can bridge the pricing gap between an industry receiving tax benefits and one that does not," said Reddy, who predicts that Telangana industries will lose their customer base and eventually be forced to shut shop.

According to Sambasiva Rao, past president of CII Visakhapatnam zone, with tax sops, industries in residuary Andhra Pradesh could be 18-20 per cent more cost efficient.

Not surprisingly, a few pharma companies are already drawing up their expansion plans towards Visakhapatnam. The pharma sector in united Andhra is estimated to be upwards of Rs 25,000 crores with exports pegged over Rs 10,000 crores. Bulk drugs dominate the pharma industry in Hyderabad. Further growth of the bulk drugs segment around Hyderabad is not likely as new capacity addition has been banned due to pollution concerns. The industry has moved to coastal locations and a pharma cluster has been developed near Visakhapatnam.

Commercial taxes are a significant part of state's revenues. Andhra Pradesh expected Rs 50,000 crore from the commercial taxes department for the financial year 2013-14. These taxes are counted at the point of remittance. The deficit in the present state is around Rs 1,875 crore, which will be apportioned after distributing the commercial taxes accounted in the Hyderabad revenues.

Andhra Pradesh' s deficit was expected to be around Rs 6,300 crore while Telangana's surplus was claimed to be Rs 4,500 crore, according to Sudhir Reddy.

According to commercial taxes commissioner Hiralal Samariya, the department will issue tax-payer identification numbers (TINs) to about two lakh traders in Telangana. Those wanting to have operations in both the states would need two TINs, he said.

Much of Hyderabad's claim to fame is in the IT and services sectors. According to JA Chowdary, member of investing community Hyderabad Angels and co-chair of industry body Ficci, Indian software industry has come a long way from exporting techno-coolies to building products from India.

"The focus should be on creating infrastructure in tier II and III cities and promoting industry with incentives like rent-free premises for some time and incubation facilities at a nominal rent," said Chowdary.

"Even as Hyderabad continues to play a key role in software services and products, Visakhapatnam and Tirupathi would emerge as new destinations," he predicts.

Hyderabad has about 1,200 IT companies employing over 3,50,000 employees. Global players like Microsoft, Google and Amazon have a marked presence in Hyderabad and IT accounts for about 39 per cent of total exports from all sectors in the united Andhra Pradesh.

Coastal Andhra with four ports handles about 130 million tonne cargo; by 2020 this zone is expected to handle about 200 million tonne cargo. There is a potential for separate railway zone based at Visakhapatnam or Vijayawada, said Vanitha Dantla, adding that separate freight corridors are needed. Coastal Andhra with its long coastline provides for developing minor ports at every 100 kilometres.

According to M Sreerama Murthy, chairman of industrial development committee, Fapcci, manufacturing sector has not been focused in Telangana. The most recent announcements of big ticket investments have gone to Sri City in Andhra Pradesh.

Industry in united Andhra Pradesh consumed only 30 per cent of the power produced in the state while Gujarat, Karnataka, Tamil Nadu and Maharashtra are using up more than 38 per cent of the power for industrial use in their respective states, Vanitha Datla said.

In the private sector, Andhra Pradesh with 3,407 MW of gas-based power plants and about 1,500 MW of installed capacity is lying idle due to shortage of gas and securing gas supplies would be a key challenge to new governments.

Gas supplies, said Datla, should be ensured for the Karimnagar gas-based power plant (700 MW) and Sankarapalli gas-based power plant (1000 MW) in Telangana. The Kakatiya Thermal Power Plant – Stage II 800 MW and the proposed NTPC Thermal Power Plant 4000 MW will be critical for Telangana, she said.

Industry body CII has a blue print for developing an industrial corridor in Krishna, West Godavari, Prakasam, and Guntur (KGPG) districts in Andhra Pradesh for food, marine processing, granite and mineral processing. It said the implementation of petro chemical and petro investment region (PCPIR), which was announced at Visakhapatnam, should be speeded up.

The manufacturing sector plays vital role in reviving up the economic growth. Presently the manufacturing sector constitutes 12 per- cent of the GSDP, which needs to grow at 17% for creating employment opportunities. It is being said that each one percent increase in manufacturing growth creates 20-30 million additional jobs directly or indirectly at the national level.

Datla's priorities are quite clear: Visakhapatnam can be developed as a fisheries and sea food hub, Kakinada as a petro chemical centre, Vijayawada as a multi-modal logistic hub due to its location, develop Ongole as an engineering hub, Anantapur as a centre for electronic industry due to its proximity to Bangalore and Tirupati and Chittoor agro-based food processing hubs due to food processing industries in the district.

For Telangana, the effort should be on expediting the establishment of a railway wagon manufacturing unit in Kazipet, introduction of high speed commuter trains between Hyderabad and Warangal, establishment of modern inland container, completion of metro rail project and increasing the frequency of MMTS and suburban trains coverage.

There is a need to develop a freight corridor from Delhi to Bangalore via Kazipet, Hyderabad, Kurnool and Renigunta and establish a modern railway or metro coach factory in Bhongir (Nalgonda). Telangana should look at developing airports at Warangal and Adilabad for promoting industrialisation in these cities. Hyderabad airport should be developed as hub for domestic and international flights, MRO Centre, Cargo HUB / Courier Hub.

From the real estate segment, the developers now want to take their focus away from a single market and instead try to tap multiple markets.

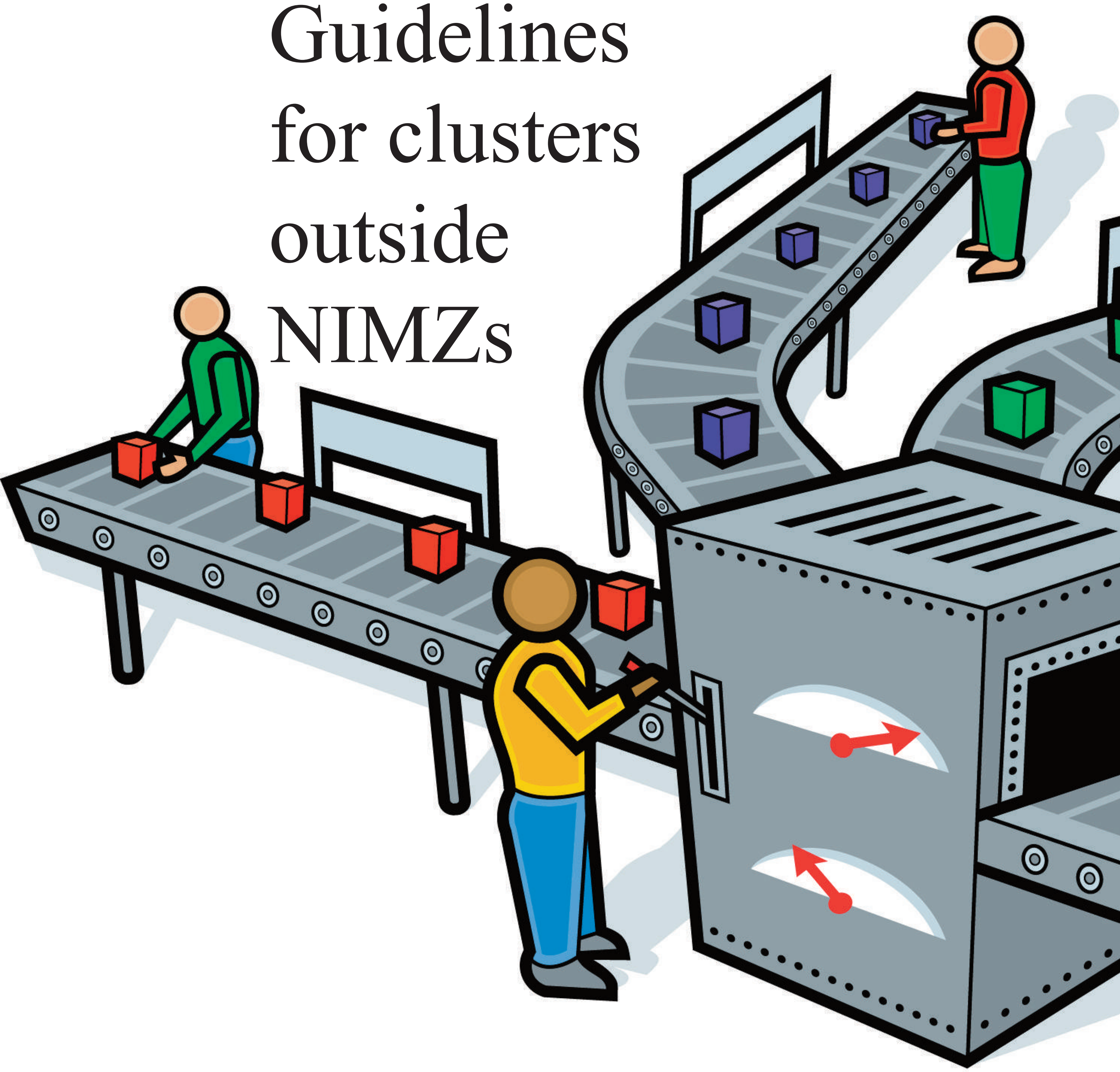
According to C Shekar Reddy, national president of industry body Credai, urban areas would expand farther. "The demand for housing is dependent on employment opportunities that would be created. It is imperative to focus on the manufacturing sector," he said.

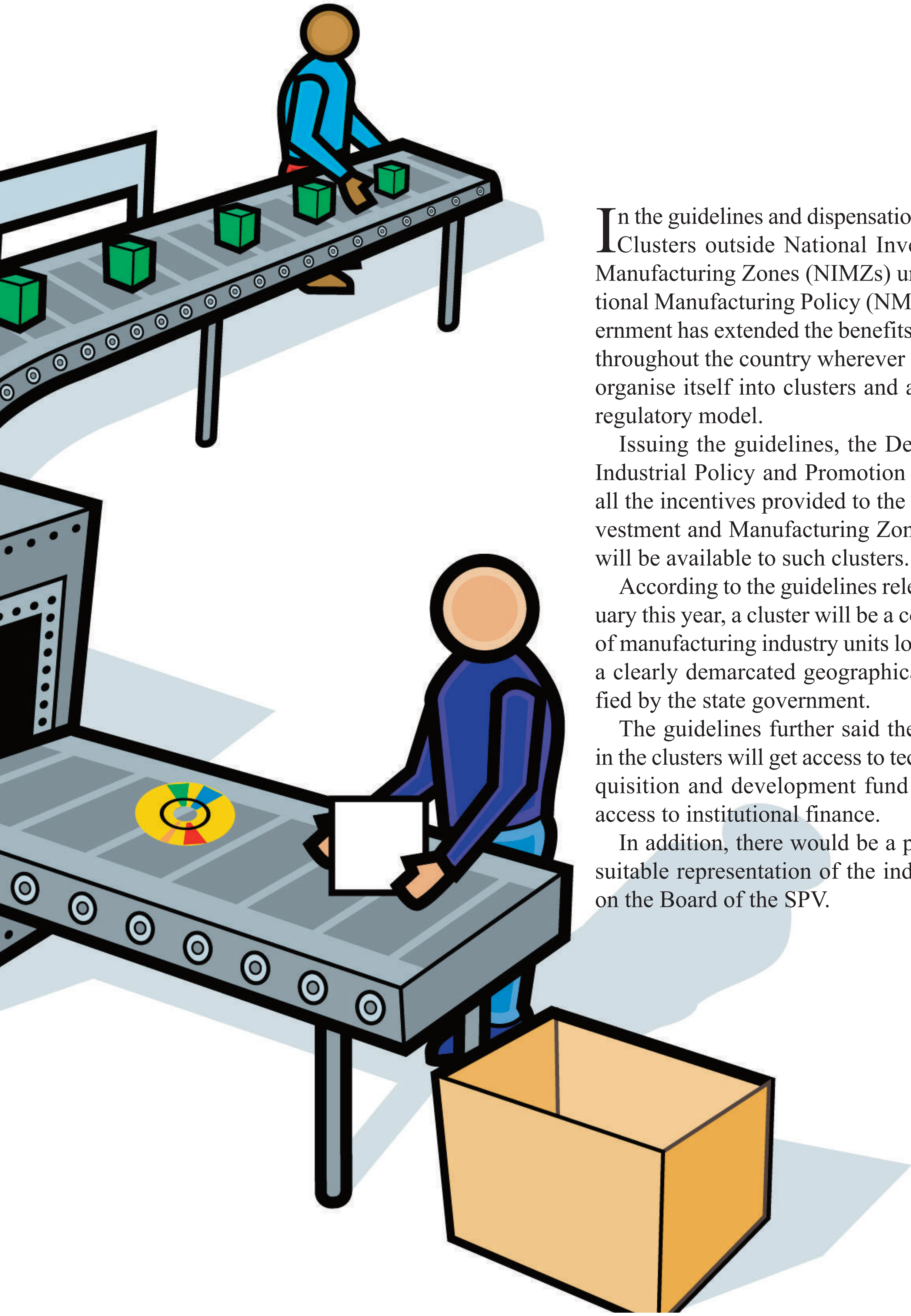
In united Andhra, Hyderabad saw about 20,000 units sold on an annual basis, Visakhapatnam about 4,000 units and Vijayawada saw about 1,000 units sold a year.

The Centre has constituted a five-member committee to identify a new capital — Visakhapatnam, Vijayawada-Guntur, Kakinada, Rajahmundry, Ongole, Kurnool and Tirupathi are among the contenders. Bifurcating a state is no easy job.

(Author is Senior Business Journalist in Financial Chronicle)

Guidelines for clusters outside NIMZs





In the guidelines and dispensations issued for Clusters outside National Investment and Manufacturing Zones (NIMZs) under the National Manufacturing Policy (NMP), the Government has extended the benefits of the NMP throughout the country wherever industry can organise itself into clusters and adopt a self-regulatory model.

Issuing the guidelines, the Department of Industrial Policy and Promotion (DIPP) said all the incentives provided to the National Investment and Manufacturing Zones (NIMZs) will be available to such clusters.

According to the guidelines released in January this year, a cluster will be a concentration of manufacturing industry units located within a clearly demarcated geographical area notified by the state government.

The guidelines further said the SME units in the clusters will get access to technology acquisition and development fund and greater access to institutional finance.

In addition, there would be a provision for suitable representation of the industrial units on the Board of the SPV.

Agri processing industries to be among focus areas of Odisha agri fair

The Annual State Agriculture Exhibition (Krishi Mahotsav) 2014 to be held here next month will showcase the achievements in agriculture and allied sectors such as agriculture, horticulture, fisheries and animal resources development.

Seventh in the series, Krishi Mahotsav which is being organised by the Institute on Management of Agricultural Extension (IMAGE), (an autonomous institute under the Agriculture Department, Government of Odisha) will be held from March 19 to 22.

"The main theme of the fair will be 'Popularisation of new varieties of crops, processing, value addition and market interventions through PPP / setting up of agri processing industries," said an official notice.

All 30 Agricultural Technology Management Agencies of the state will participate in the event and exhibit the achievements made in the sector.

Further, departments of the government, PSUs, semi government organisations , cooperatives, banking institutions, agro processing industries, product / machinery / implement and service providers in agriculture and allied sectors are expected to participate in the event.

IMAGE invites the participation of stakeholders in these sectors, particularly, agro processing industries; and explore possibilities of setting up food processing industries, in the state.

1000 micro units planned in Karnataka

The Karnataka Governmnet announced a slew of measures for the MSME sector which includes mandating the District Industries Centres to facilitate setting up of 1000 micro units in the state.

Presenting an Rs 1.38 lakh crore Budget for 2014-15, Chief Minister Siddaramaiah said manufacturing units will be set up in the Naxal hit areas while Venture Capital of Rs 10 crore will be provided to the budding entrepreneurs.

Total provision of Rs 637 crore has been provided to the infrastructure development department in the state budget, while for the Commerce and Industries Department, total provision of Rs 975 crore has been made.

While presenting his budget, the state chief minister said, "It is proposed to establish 1000 micro enterprises in the rural areas by investing capital upto Rs 10 lakh through District Industries Centres with a view to encourage self-employment among the youths through various existing programmes and in Co-ordination with Financial Institutions."

"Training and manufacturing centers will be set-up in naxal affected areas of Karkala Taluk, Udupi District and Sringeri through Karnataka State Coir Development Corporation," Siddaramaiah said in his budget speech adding that "Venture Capital Support of Rs.10 crore will be provided to encourage potential entrepreneurs intending to set-up new industries through 'Fund of Fund' Scheme."

Interest subsidy of 9 per cent which is allowed at present to village industries and khadi institutions which are availing additional working capital limited to Rs 3 lakhs in most backward, more backward and backward 114 taluks will be extended to all 176 taluks in the State, he said.

Further, he proposed that 1000 residential work sheds will be provided to skilled workers of the State under the new Special House Building Scheme at the cost of Rs10 crore.

"It is proposed to set-up "Coir Technology Park" at a cost of Rs 2 crore at Vijnana Gudda, Tumkur District, for the purpose of showcasing coir activities and eco-friendly coir products for entrepreneurs and tourists under a single roof," he said.

Interest subsidy of 6 per cent will be provided to new generation entrepreneurs to an extent of Rs.75 crore to motivate and promote entrepreneurship in the State through KSFC, for which, a grant of Rs 4.50 crore is provided.

"Financial support of 50 per

cent subject to a ceiling of Rs 7.50 lakhs for MSMEs in Aerospace Sector will be provided for obtaining certification like ISO 9100, NDACAP etc., to make them globally competitive. For this, a grant of Rs 75 lakhs is provided," Siddaramaiah added.

"Department of Commerce and Industries shall make efforts to establish industrial townships in the State with the co-operation of Urban Development Department. Action will be taken to notify the two industrial townships especially during the year 2014-15," Karnataka CM said.

It is proposed to establish Gems and Jewellery SEZ in 10 hectares of land in Devanahalli of Bangalore Rural District, through Hatti Gold Mines Limited.

He also said that, "Special package will be formulated for rejuvenation of Handloom industry in the next 5 years. Expert committee will be constituted to suggest measures for encouraging capital investment and market linkages, design and technology adoption, incentives for exports and empowerment of Handloom Development Corporation.

"During the year 2014-15, Rs 120 crore will be provided under Weavers Special Package scheme for comprehensive development of Weavers, while Rs 75 crore will be provided for implementing New Readymade Garments Policy during the year 2014-15," he added.

In the budget, special focus has been given to the Khadi units, "it is proposed to introduce One Time Settlement Scheme (OTS) by waiving the interest payable on the loans sanctioned to the units under PBS scheme by KVIC through KVIB. The scheme would benefit 21180 Khadi units/Institutions. Rs 26.15 crore is earmarked for this purpose during the year 2014-15," according to the budget speech.

For the purpose of bringing novelty in the design and having decided to provide marketing subsidy under 'Karnataka Khadi Branding' scheme, with the assistance of National Institute of Fashion Technology / National Institute of Design and also other famous branding consultants, assistance will be provided for the purpose of branding. For this purpose, a provision of Rs 2 crore is earmarked during 2014-15. Rs 1 crore grant is provided for Karnataka Khadi Gramodyoga Sangha, Hubli.

This is a record ninth budget presented by Siddaramaiah, the second after taking charge as Chief Minister.

Jayalalitha to give mixers, grinders, fans worth Rs 2000 cr in poll year; opportunity for business

Tamil Nadu Chief Minister may have gone in for sops in the state budget but the Rs 2000 crore freebies in the form of mixers, grinders and fans would offer a lucrative business opportunities to small and medium forms making these gadgets.

In the tax free budget, ahead of the general elections, the Jayalalitha Government has also provided Rs 500 crore for diesel subsidy. In order to improve the power problem in the state, the Tamil Nadu discom will procure 3330 MW of electricity in 2014-15. Other highlights of the budget include large funds of Rs 506 crore for law and order improvement and Rs 215 crore for building highways.

Entrepreneurship programme on raising finance

In order to impart training to raise capital, loans, venture capital and private equity, the National Institute of Entrepreneurship and Small Business Development (NIESBUD) is organising an entrepreneurship programme on finance management.

The workshop on 'How to raise finance' will be held on February 21 and 22, 2014, at NIESBUD campus in Noida.

The workshop will provide training to entrepreneurs about raising loans, making bankable project reports, raising private equity and venture capital. It is open to entrepreneurs, consultants, managers and the professionals who are concerned with raising capital and meeting financial needs.

The two-day programme will also provide platform for excellent networking opportunities and meeting senior banking personnel.

NIESBUD is engaged in promotion and development of MSMEs including enhancement of their competitiveness through different interventions like training, research, capacity building, cluster development, employment generation and related activities.

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