

June 2016

# EMPOWERING TIMES



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Alibaba's World: How a Remarkable Chinese Company is changing the face of Global Business - Porter Erisman



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Unnati - Bangalore



Dear Reader,

In last month's issue of Empowering Times, we highlighted the importance of the Indian Agriculture sector and the changing role it plays in the times that we live in today. There is yet another segment that is expected to boost the Indian economy - the Micro, Small and Medium Enterprises (MSME) sector. This growth engine of tomorrow is currently making waves. This is indicative of the fact that MSMEs constitute more than 90% of the total enterprises in most economies and takes credit for generating the highest rate of employment growth, apart from accounting for a major share of industrial production and exports. Coupled with this fact, MSMEs spell out innovativeness (by nurturing and supporting the development of new age entrepreneurs) and adaptability, which makes this section of the economy promising.

While on the one hand, MSMEs are presented with various opportunities, it does come with its own set of challenges. Nevertheless, all is not lost. Both governments at the center and state are joining hands to ensure that MSMEs are not overshadowed by the ongoing current affairs. Case in point is the recent news on launching a dedicated MSME Export Promotion Council at a time when Indian exports are down for the 18th consecutive month. Further providing the much needed impetus to the growth of this sector, the Make in India initiative (among other initiatives) is making conditions conducive for the growth of MSMEs. Research also adds to the fact that the MSME sector will act as a catalyst to bring about an all-round socio-economic transformation. Analysts' are also of the opinion that the growth of this sector is likely to help the country touch its economic growth target of 8.5% by 2025. A continuous review of the sector is imperative to ensure that MSMEs are not ignored in the long run by stakeholders, especially at a time when India continues to be high on the radar for the ease of doing business in the country.

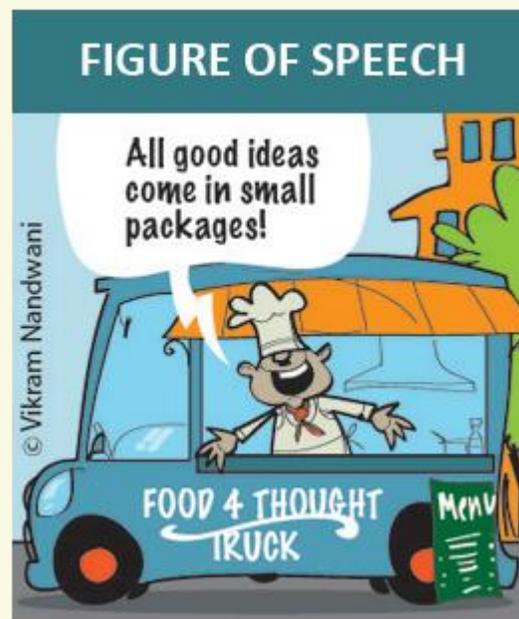
This month ET provides a platform to showcase **the Role of the MSME Sector in Make in India**.

**Jay** highlights the importance of the burgeoning MSME segment in India in the **Thinking Aloud** section.

On the **Podium**, the Director of Sure Safety India, **Nishith Dand** elucidates the role of the MSME sector in the country's growth story. Surpassing all odds, the fact that various stakeholders are encouraging the growth of this sector indicates the value that MSMEs offer to the economy at large.

In **We Recommend**, **Meeta** reviews **Porter Erisman's 'Alibaba's World: How a Remarkable Chinese Company is changing the face of Global Business'**, which is a memoir of the author's experience while being employed as a Vice-President at the company. He highlights how Jack Ma, a Chinese schoolteacher, rose from obscurity to establishing Alibaba which today is the world's most dominant e-commerce player.

In **Standing Ovation**, Bangalore based Unnati aims at youth empowerment through its 50 days vocational training and transformation program, offered at a subsidized cost to under privileged youth.



In **Figures of Speech**, Vikram's toon's 'small' idea is making waves!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#) - where you can join our community to continue the dialogue with us!

## THINKING ALOUD

# The MSME Sector: Breeding Ground of Entrepreneurs

- Jay

This is where it all begins.

The MSME sector is the nursery of a country's industrialization. This is where tomorrow's large enterprises are born as fledgling units, find their feet as they build momentum with customers and rise to their full potential as they grow into larger companies with well-established footprints. While this may sound easy, however, it is important to realize that like in any natural process, there are no guarantees that every entrepreneur's dream venture will see fruition.

What makes this sector even more special is that for any economy the fresh shoots of growth arise here. The vitality of an economy is indicated by the number of firms in the MSME sector. More vibrant the economy, headier will be the spirit of adventure and explorations in this sector.

Schumpeter's vision of the capitalist economy speaks of the cycle of creative destruction. If there is one place where this principle comes alive it is in the MSME sector of the economy where there is always a new firm getting created, while simultaneously there will be another firm struggling to grow and perhaps yet another who has given up the battle and folds up under bankruptcy - or if lucky, gets reincarnated as part of a merged or acquired larger entity.

The sheer spread & size of this sector makes it distinct. Consider this: official estimates are that with a footprint spanning across the country, there are over 100 million employed in this sector covering 4 million units. Effectively, this means that with its 38% share of India's GDP, and a share estimated to be over 40% of exports, this sector can be the driver that transforms the country, both economically (the breadth of firms is varied, be it pharmaceuticals, engineering, electronics, chemicals, leather, foods, etc.), technologically (the sector is the home for both traditional skills & high technology products) and socially (from a nation of job seekers to meaningful job-creators). What more can one seek for inclusive and fast-paced development of the country?

What are tailwinds that make players in this sector succeed? A key one is the current government's flagship program, "Make in India". While the government's propaganda machinery has been on full blast in the last few weeks to celebrate 2 years' of its ascendance to office, for once there are somethings to be pleased about.

Speaking to some of the players in this sector, one notes a new excitement as there is a bigger playing field than ever before. In the words of one of the MSME entrepreneur, 'In the Prime Minister, our industry has now found a world-class Business Development Manager who is going around the globe showcasing India's ability & welcoming investment in the Manufacturing sector.'

Three sectors of particular focus are Defense production, Aerospace & Infrastructure. For instance, as the government has insisted on 30% localization of foreign investment in defense production ('the offset clause'), there is a world of opportunity for the MSMEs like never before. Besides, there is an impetus to raise their manufacturing standards to best-in-class and thereby participate in creating value added products both for the Indian market and for exports.

Two recent successes need a special mention. On June 17th, Hindustan Aeronautics Ltd. (HAL) exhibited its capabilities with the inaugural flight of the HTT-40 (Hindustan Turbo Trainer- 40). The defense aspect apart, what is noteworthy is that the indigenous element of the aircraft is about 80%, and further, of this, nearly 50% of the components are manufactured by the private sector, of which the MSME share was significant.

The second example of the remarkable capabilities of the MSME sector is the unheralded role of small firms in India's space programs. If you have wondered how ISRO is able to shine as the rising star of the global space business (point to note, ISRO has won numerous accolades for being the most cost effective space program in the world and is a partner of choice to various countries for launching satellites now), a lot of credit also is to be given to its vendor development program where they have partnered and nurtured MSMEs to create cost effective solutions of the highest quality. Case in point is the story of Sure Safety, the Vadodara firm that has supplied space suits to ISRO, making it one of the few firms in the world to have gained the capability (see later segment for more on this).

Likewise, what are the headwinds that make this sector a challenging one for most businesses? There are many hurdles to the success of a small firm in this sector. The chief impediments are access to finance, lack of consistent quality, availability of appropriate talent and ability to penetrate markets. While there are a host of new initiatives from the government to assist this sector through finance, to crack the marketing barrier perhaps the lessons from the Chinese MSME sector would be useful here: they found Alibaba the perfect platform for showcasing their products to global customers. Innovative MSME firms can find that the Digital India initiative can serve as a vehicle to enhance productivity and reach new markets.

In sum, there is a new wind blowing through the MSME sector in India, energizing manufacturers. At a time when Information Technology firms are the cynosure of the Indian start-up world, there are new prospects for those who dare to choose the old-fashioned option of nuts-and-bolts production process. Will the new generation graduating from Engineering Schools grab these opportunities?

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## PODIUM

### Interview with Nishith Dand Director - Sure Safety India



Nishith Dand

Nishith Dand is currently the Director of Sure Safety India (a personal protection solution provider) and the Chairman of the Confederation of Indian Industry (CII) - central Gujarat zone. Fondly known as the Space Suit Man of India, he is an entrepreneur by heart with a zeal for perfection. He has a penchant for providing training to industrial workers and professionals so as to provide a safe workplace for all involved in the day-to-day operations.

Mr. Dand was recognised by the Gujarat government for rendering services during the earthquake in 2001, apart from being nominated for the Economic Times Best SME Award in 2014.

**ET: Why are MSMEs considered important to the growth of the Indian economy? Are the conditions in the country conducive for the growth of this segment?**

**ND:** The MSME sector has emerged as a crucial sector both in India and globally. They not only provide large employment opportunities, but also help in the industrialization of rural and backward areas, thereby reducing regional imbalances and ensuring more equitable distribution of national income and wealth. The MSME sector in India continues to demonstrate remarkable flexibility in the face of fluctuating global and domestic economic circumstances. It has sustained an annual growth rate of over 10% for the past few years. MSMEs are also complementary to large industries as ancillary units. Currently, the sector consists of 36 million units, provides employment to over 80 million people, produces more than 6,000 products and contributes about 38% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country.

Unfortunately, the economic environment in the country is not very conducive to the growth of MSMEs inspite of various government efforts. MSMEs still face a number of problems (elaborated below).

**ET: How does MSMEs play a pivotal role in the Government's Make in India initiative? Please share some success stories of start-ups under this programme.**

**ND:** The Make in India campaign is expected to garner the support of both Indian and global firms to invest and partner in India's manufacturing sector. Four of the government's on-going initiatives are expected to play key roles in ensuring the campaign's success:

- **The Public Procurement Policy:** The Government has notified the Public Procurement Policy for MSMEs, which mandates that all Central ministries, departments and public sector undertakings must procure a minimum of 20% of their annual requirement of goods and services (by value) from MSMEs. A sub-target

of 4% of this 20% must be procured from MSMEs owned by SC/ST entrepreneurs.

- **The Micro and Small Enterprises Cluster Development Programme:** The cluster approach entails soft interventions and infrastructure upgradation in existing MSME clusters.
- **The Prime Minister's Employment Generation Programme (PMEGP),** a national-level credit-linked subsidy scheme introduced to create jobs. Under this programme, financial assistance is provided for setting up micro enterprises each costing up to INR 10 lakhs in the service sector and INR 25 lakhs in the manufacturing sector. A subsidy of up to 25% of the project cost is provided in rural areas, and 15% in urban areas, ensuring employment in every place be it state or central facilitations.
- **The Skill Development program:** The MSME Ministry is engaged in enhancing the training capabilities of tool rooms, MSME Development Institutes and other organisations under it. The training programmes range from traditional rural industries to high-end, high-tech programmes on CNC machines.

Although at an early stage, the Make in India initiative has already started to make its mark in various sectors of the Indian economy: electronics (Foxconn to set up manufacturing facilities), automobiles (Mercedes Benz), defence (Hyundai Heavy Industries), Indian railways and aviation. MSME units will be benefitted as vendors and partners to all these large firms.

**ET: What are the current challenges faced by the MSME sector? What is your advice to stakeholders and players in this realm?**

**ND:** Although such enterprises play a pivotal role in contributing towards the Indian GDP, the sector faces challenges and does not get the required support from the concerned government departments, banks, financial institutions and corporates. Some of the major problems faced by existing/new companies in the MSME sector include the following:

- Lack of adequate capital
- Poor infrastructure
- Lack of access to modern technology
- Lack of access to markets
- Hurdles related to getting statutory clearances related to power, environment, labour etc.
- Impediments while following up with various government agencies to resolve problems due to lack of man power and knowledge etc.

To counter some of the above challenges, the Indian Chamber of Commerce has developed key strategies to promote and support this sector. It has started to encourage SMEs to adopt innovative ideas and concepts for the promotion of their business through seminars, conferences, workshops and training programs.

**ET: What is the role and impact of the Confederation of Indian Industry (CII) towards the MSME segment? Are the challenges faced by this segment addressed by CII?**

**ND:** CII gives high priority to the development of MSMEs in India. The CII National MSME Council is the apex council for SME members. Further, the council ensures the involvement of MSME members, and influences CII's decision-making on all issues of concern to this sector. The National council is supported by the MSME Sub-committees in four regions and MSME panels across all State and Zonal Offices.

The main tasks of CII National MSME Council include:

- To create a strong brand/visibility for MSMEs in India in the coming years
- To conduct regular interactions with the Government at the Centre and the State levels, to highlight the issues and concerns of MSMEs
- To work in close cooperation with the sectoral groups/councils/committees in CII in order to align the MSME agenda with that of the sectoral agenda
- To work with the Regional and State offices closely in order to take forward the Council agenda and also to reach out to MSMEs across the nation
- To facilitate access to global technology, global markets and finance

To address some of the challenges faced by MSMEs, some of the measures proposed by the CII to the government include the following, among others:

- Banks must be asked to offer lower rate of interest to MSMEs which have acquired a particular grade in credit ratings
- A separate SME bank should be created with support from national as well as state governments. Dedicated MSME equity funds need to be made available to finance rapid growth of MSMEs both in the public as well as private sector
- Encourage MSMEs to use different ICT platforms like ERP through enhanced depreciation on IT products
- Single comprehensive model MSME Act to serve as a guideline to all states and territories

**ET: Could you walk us through your experience of creating your firm, Sure Safety, and how your firm is now one of the few companies in the world with the capability to create Spacesuits?**

**ND:** It was quite some time ago that while working in the industry itself, I realised the need for manufacturing products in India, to counter the age old monopoly of some players. At that point of time, the MSME sector was not reaping the benefits of their efforts. This inspired me to start my own organisation and to develop a committed team who shared the same vision as I did to innovate, design and develop technologically superior solutions at an economical price.

Over time, Sure Safety joined hands with global counterparts to acquire products and technology and at times, innovating through our own field studies. We eventually graduated from trading to innovating manufacturing excellence and developed a niche in our arena. All industries, whether a large corporate or an SME started aligning with us and we went from strength to strength, bringing in technologically advanced solutions for the industry and by serving our growing clientele base. Our strength remained in research and innovative development wherein from small personal protective equipment (PPE) we moved strongly into the field of body and respiratory protection and set up labs to test and to produce products that qualified international standards.

The biggest challenge came our way with ISRO inviting us to develop spacesuits for its Human Space Flight program commonly known as 'Man Mission to the Moon'. This was by far not an easy task to undertake in India. We set about the task encountering failure after failure, but with every failure our determination to succeed grew stronger and with the experience we had in both body and respiratory manufacturing, we succeeded and ultimately spacesuits were created, amid budget and time constraints. Today, with pride we can say that we are

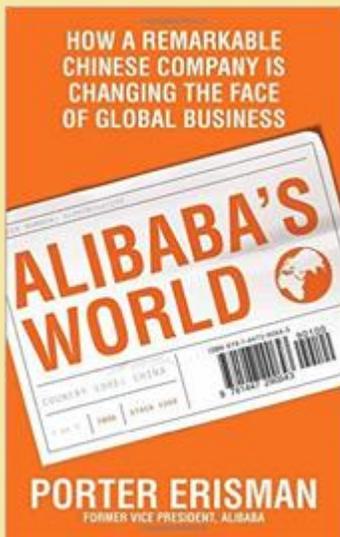
one of the 3 - 4 companies in the world with this unique capability.

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**WE RECOMMEND**

## Alibaba's World: How a Remarkable Chinese Company is changing the face of Global Business

- Porter Erisman



The e-commerce giant, Alibaba's interesting story is captured in Alibaba's World by Porter Erisman, who was one of the first western employees at Alibaba. Erisman was instrumental in Alibaba's international expansion and served as the Vice-President at the company from 2000 to 2008. This international best seller has been selected by the Wall Street Journal as one of the 'Best Business Books' of 2015.

Porter has portrayed an insider's picture of the world's largest e-commerce site, from its modest beginnings in Hong Kong and rural China to its present-day dominance of the online China trade. Alibaba, which wanted to become the Amazon of China, had a turbulent start when the dotcom bubble burst. It eventually turned out to be the second most valuable internet business after Google. Today, it is a symbol of the rise of the Chinese consumer.

Another interesting aspect of this book is that it is filled with anecdotes and stories about the mysterious Jack Ma who was an English teacher and had twice failed his university entrance exams, and the first time he saw the internet in Seattle he used it to search for "beer"! A small guy with a huge ambition, Ma's desire to grow a China-based internet company was engrained in a sense of service to his countrymen as well his own desire to become very wealthy.

Erisman also details the story of how Jack Ma and Jerry Yang, the Taiwan born founder of Yahoo became friends and ultimately joined forces to defeat eBay in China, no small undertaking, given the size and scope of eBay's worldwide operations. There is a witty moment where the sensitive, confrontational Google leaders, Larry Page and Sergey Brin, meet Jack Ma, Porter Erisman, and a few other members of Alibaba's leadership in a cluttered conference room in a hotel in mainland China. The Google founders failed to understand Alibaba's business model. The only conclusion that Erisman and his team could draw was that eventually Google would try to swallow them up.

In the concluding part of the book, "Alibaba and the 40 Lessons", Erisman talks of his learnings from his stint at Alibaba, and briefly explains the theory behind each of them. Each one of them is very interesting, especially the one about "Don't change rabbits", which talks about not losing focus and "the most important guanxi is with

your customer" which focuses on relationships with customers.

This book has been written in a very direct and simple style and is an easy read. Before joining Alibaba, Erisman worked with Ogilvy & Mather in Beijing. He is the writer/director of 'Crocodile in the Yangtze', an independent documentary memoir about the rise of Alibaba and Jack Ma and the eight years that he spent with the organisation. Currently he is into a lot of speaking engagements and also working on his next book on the e-commerce boom in the emerging markets.

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## STANDING OVATION

### Unnati, Bangalore



Unnati, is a vocational training program organised on behalf of the Sree Guruvayurappan Bhajan Samaj Trust (SGBS), aimed at enabling and empowering youngsters from families below the poverty line. The 50 days program equips unemployed youth with vocational and life-skills offered at a subsidized cost.

Dropouts aged 18 years and above, belonging to economically backward and weaker sections of the society are either recommended or hand-picked and are given vocational training without a break. The training spans across 9 vocations - retail sales, field sales, guest care - hotel, guest care - offices, industrial tailoring, entry level voice & data (BPO), security services, driving, and industrial painting, through a mix of practical and theory classes. The courses are designed in such a way that the youth are not only trained in the vocation but are also socially transformed to become confident and good citizens. On successful completion of the training, the trainees are placed for employment with reputed firms that have a tie-up with the Unnati Foundation.

Unnati has partnered with like-minded NGOs at Mysore, Sirsi, Pune, Ulhasnagar and Ahmedabad. These centers have also been able to provide 100% placements to the youth, post-training. Through its Vision 2020, Unnati aims to touch the lives of 1 million youth across India. The programme has been replicated and established across India, spread across over 40 centers.

For more information about this initiative, please visit: <http://www.unnatibl.org>

For being a guiding light to the youth, Unnati deserves a Standing Ovation!

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Welcoming the monsoons, Rupesh captures the beautiful Dhuandhar Falls located on the River Narmada in Bhedaghat, Jabalpur, Madhya Pradesh. The Narmada makes its way through the world-famous Marble Rocks, narrows down and then plunges, creating a bouncing mass of mist, which is a sight to behold.

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