



Federation of Indian Micro and Small &amp; Medium Enterprises

# The FISME Factor

Bi-weekly bulletin of India's largest MSME organisation

Vol II, Issue 18: September 15, 2012

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## President's Message



### "RBI *mange* more!

If the recent monetary policy review is an indicator, RBI does not appear to be impressed by a slew of measures taken by the government of India on FDI in retail and price hike of Diesel and LPG etc. RBI is obviously worried over persisting inflation and expects the

Government to introduce more reforms and curb expenditures before it is prompted to consider cut in rates. Present scenario of high interest rates and less than necessary growth in international markets is a matter of continued concern for Indian MSMEs "

- Shri V.K. Agarwal, President FISME



## What's Hot?

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## Upcoming Events

**INDIA SME 100 Awards**  
Celebrating SME Achievers of 2012

Kolkata  
September 22, 2012

[Read More](#)

## INNOVATION-LAB

Hotel Capitol, Bangalore  
September 27, 2012

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## Business Opportunities for Indian MSMEs in EU



## ACTIVITIES

### FISME-CLE help form South Asia Leather Association

In a major break-through in regional cooperation, leather and leather goods producers of India, Pakistan, Bangladesh and Sri Lanka have agreed to institutionalize their development efforts with formation of South Asia Leather Association (LIASA). The outcome was

the result of a two days regional consultation workshop organized jointly by FISME and Council for Leather Exports (CLE) on "Strengthening Competitiveness of South Asia in Leather and Leather products" under the aegis of United Nations Conference on Trade and Development's project (UNCTAD) at Le Royal Meridien, Chennai on 3rd and 4th September, 2012. Leading policy makers and industrialists from India, Pakistan, Sri Lanka and Bangladesh participated in the meet. The initiative was part of UNCTAD's larger regional initiative "Development-Oriented Integration in South Asia" being implemented in association with Asian Development Bank (Delhi) and Commonwealth Secretariat (London).

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### Online Legal Compliance Manual for MSMEs launched



To ease the regulatory burden on industry and assist MSMEs comply with a maze of legal



**Free Management Consultancy**

A few students of IIM, Bangalore have floated a company to offer free consultancy to MSMEs on all aspects of business - Finance, Marketing, Operations and General Management. Those interested in availing of the services of this company can get in touch with FISME at [info@fisme.org.in](mailto:info@fisme.org.in)

**Other Events**

**NCEDAR 2012**

Date: Dec 4-6, 2012  
Venue: Bangalore

[See Details](#)

**AIFPA Show 2012**

Date: Dec 13-15, 2012  
Venue: New Delhi

[See Details](#)


**PLASTO 2012**

Date: Dec 20-23, 2012  
Venue: Pune

[See Details](#)

**Your Views**

**Reforms for enabling MSMEs to become registered be made top priority: Survey**



Should reforms for MSMEs to become registered be made priority?

No	Yes
30%	70%

According to *The FISME Factor* survey, 70% of readers feel that reforms aimed at enabling unregistered MSMEs to become registered be the top priority of the Ministry of MSMEs.

**The FISME Factor**

**If you can't beat them, join them**




requirements and mandatory disclosures, an online legal compliance manual has been launched by Dr. M. Veerappa Moily,

Honourable Corporate Affairs Minister during a gala function at Hotel Meridien, Janpath on September 12, 2012. An initiative of Indian Institute of Corporate Affairs, the online manual has been prepared by India's premier law firm Vaish and Associates and is being sponsored by Intel. The manual covers almost all central laws and regulations of four states at present. It would be continuously updated to cover all states. During the occasion, Dr. Veerappa Moily also released a Compendium on "State of Corporate Governance in India- Policies to Reality" prepared by Thought Arbitrage Research Institute (TARI) and Indian Institute of Management, Calcutta (IIMC).

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**Fifth India SME Forum event held in Hyderabad**

The fifth forum in the series of events being organised to select SMEs for the India SME 100 Award and ranking under the India SME Forum & Award banner was organised in Hyderabad on September 6, 2012 at Hotel ITC Kakatiya. The forums are being



organised by Reliance Commercial Finance, a part of Reliance Capital, a Reliance Group company in partnership with FISME and several other organisations such as Sustainable Development Research & Consulting, Go Air, Mahindra & Mahindra, SMERA (SME Rating Agency of India Ltd.), Bloomberg UTV and Laqshya. The welcome address was given by Mr Satish Gottipati, Central Executive Committee Member & in-charge AP, FISME and Mr Vinod Kumar, Senior partner, SDRC India.

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**Sixth 'India SME Forum' held in Bangalore**



The national campaign of 'India SME Forum' reached Bangalore with organization of sixth programme of the series in the city on September 11, 2012 at Hotel ITC Windsor. The 'India SME Forum' is a unique platform that brings India's top finance,

advertising and branding experts face to face with MSMEs. The campaign is also to identify SMEs for the India SME 100 Award. With FISME as SME partner, the forums are being organised by Reliance Commercial Finance (Reliance Capital) in association with organisations such as Sustainable Development Research & Consulting, Go Air, Mahindra & Mahindra, SMERA (SME Rating Agency of India Ltd.), Bloomberg UTV and Laqshya. FISME President Mr V.K. Agarwal is one of the members of India SME Forum Board and jury for the India SME 100 Awards.

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**Voice Your Views**

**Will the government's decision to allow FDI in multi brand retail be beneficial to MSMEs in India?**

Yes  No

[You can also view online](#)

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**Knowledge Store**

**Finance Fundamentals**

**Is finance the only hurdle for development of Indian SMEs?**



There are number of factors that can help the enterprises look lucrative enough for the investors and get finance for them. Indian SMEs need to deal with some issues smartly to be favourites among financial institutions.

[Read the full article](#)

**India Factoring: the way to get SME credit beyond banks**



The role of a factoring business is yet to gain ground in India wherein small and medium enterprises (SMEs) struggle to get funding support from banks on concern of asset quality. At a little higher cost of funds, a factoring company can well be the liquidity generator to scoot the SME growth engine.

[Read the full article](#)

**Marketing Mantras**

**Big ideas for micro units**

Entrepreneurs should inculcate corporate discipline in order to be able to attract much-needed investment and financing services.

[Read the full article](#)

**Protect Your Intellectual Property!!**  
Register TRADEMARKS, INDUSTRIAL DESIGNS, COPYRIGHTS AND PATENTS

**Experts View**

**RBI's quarterly monetary policy: Analysis**

The following is an exclusive review for FISME members of the RBI's quarterly monetary policy announced on September 17, 2012. Rajesh Dubey, Advisor (Finance), FISME is the author of this review.



RBI mid-term review comes amid some **positive signals** namely:

- Reform measures undertaken by government of India, viz.,

And some **areas of concern**, such as:

- Hardening of international crude prices and likely to remain so with infused global liquidity, moderation of growth in major emerging and developing economies (including China where Q2-2012 growth has been the lowest in the last 3 years) and drought like condition in most part of the world – is likely to have continued inflationary push on global prices of food and commodities.

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**MEDIA MONITOR**

**Macro Metre**

**RBI slashes CRR by 0.25 per cent amid high inflation**



The Reserve Bank of India (RBI) in its quarterly monetary policy review announced a 0.25 per cent cut in Cash Reserve Ratio (CRR). CRR is the amount of money which banks are required to keep with the central bank in cash. The central bank's step comes on the back of the government allowing foreign direct investment (FDI) in multi-brand retail and aviation. The government has also hiked diesel prices by Rs 5 per litre on September 13, along with capping LPG cylinders per family.

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**FDI in retail would boost economy: Vayalar Ravi**

Punching holes in opposition claim that FDI in retail sector would affect traders, Micro and Small Industries Minister Vayalar Ravi recently said the move would benefit farmers in the long run, eventually boosting the country's economy. However, he refused to go into details on Congress-ruled Kerala's opposition to allowing of FDI in retail, saying it was the state government's prerogative but pointed out that booming shopping complexes and multi-brand stores in the state have not affected traders.

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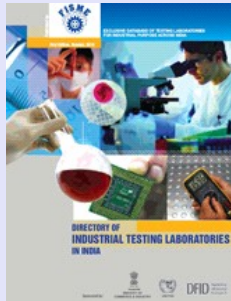
**IIP grows a mere 0.1% in July**

Hit hard by high interest rates and low demand, industrial production grew just 0.1 per cent in July, compared with a fall of 1.75 per cent in the previous month. The growth was marginal, despite a low base of 3.7 per cent in the corresponding period last year. Sluggishness prevailed across most sectors in July, with 14 of the 22 industrial categories recording declines in output, against eight in the previous month. The low growth in the Index of Industrial Production (IIP) follows India's gross



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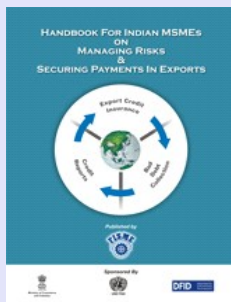
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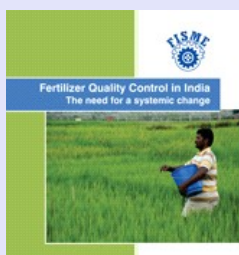


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**Free Publications**

**Fertilizer quality control in India: Need for change**



domestic product growing just 5.5 per cent in the quarter ended June, a tad higher than 5.3 per cent in the previous quarter. After the IIP data was released, Finance Minister P Chidambaram said, "These IIP estimates reveal the performance of the economy continues to be disappointing."

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**Domestic Digest**

**BSE may list 30 firms under SME exchange**

The BSE plans to list about 30 companies on its SME exchange raising around Rs 300 crore. At a BSE SME Entrepreneurship Development Seminar, Ajay Thakur of BSE-SME Exchange of India said the exchange is looking at meeting this target by the end of this calendar year. At present, eleven companies had filed draft paper with the exchange. Of these, seven have already been listed, two have been given approvals and two others are awaiting approvals. The exchange expects 19 more companies who are in talks with merchant bankers to get listed on the platform.

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**Fin Min spots 4 banks for specialised MSME branches**



To encourage entrepreneurship among young educated people, the finance ministry has initially identified four small size banks including Dena Bank, Oriental Bank of Commerce (OBC), Corporation Bank and Indian Bank to kick start a special campaign in extending credit to micro, small and medium enterprises (MSME) sector in association with Small Industries Development Bank of India (SIDBI). "This is just a starting point.

There should be 110 specialized branches across the country," Sunil Soni, additional secretary, the department of financial services, the government of India, told reporters in Mumbai while inaugurating a portal christened as smallB.in, an initiative by SIDBI to promote youth enterprises.

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**RBI approves SME rating agency licence**

The Reserve Bank of India today approved SME Rating Agency of India as an eligible credit rating agency for rating bank loans. It is promoted by Small Industries Development Bank of India, Dun & Bradstreet and some public, private and foreign banks. This will help banks to use the ratings for risk weighting their claims for capital adequacy purposes. There are five domestic credit rating agencies. The rating-risk weight mapping for the long term and short term ratings assigned by SMERA will be the same as in case of other rating agencies.

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**SEBI liberalises market access for SMEs**

The equity markets regulator the Securities and Exchange Board of India (SEBI) has proposed conditional market access through initial public offering (IPO) for small and medium enterprises (SMEs) that have not met the continuous "three out of the past five years" of profitability criterion. As per the existing norms, an entity with continuous profitability of three previous financial from the proposed date of IPO is required. But SEBI in its meeting held on September 16 relaxed this norm and allowed entities to have market access even without this condition.

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**SBI Cards working on product for SME sector**



SBI Cards is working on a new product exclusive for the SME (small and medium enterprises) sector, as part of its efforts to expand its customer base. On the retail front, the standalone credit cards company plans to enable new customers subscribe to the card through the social media platform, such as Facebook.

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**Govt allows capital gains tax concessions for SME**

For the first time the Finance Ministry has agreed to allow Capital Gains Tax (CGT)



This monograph argues for a systemic change in fertiliser quality control. Essential reading for those in policy-making positions.

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### Country Chronicles

FISME regularly receives monthly reports on the economies of various countries from their missions in India. These reports provide information on key economic parameters, trade related information and all news relevant for importers and exporters. In this edition you can take a look at reports on:

[Oman](#)

concessions for investing the sale proceeds of a residential property into the productive activity of a small and medium enterprise (SME), Union Minister of Commerce, Industry and Textiles, Anand Sharma said recently. Outlining the benefits of the National Manufacturing Policy (NMP), Sharma said, "We have been able to persuade the Finance Ministry to allow, for the first time, capital gains tax concessions for investing the sale proceeds of a residential property into the productive activity of a small and medium enterprise."



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### TDP chief seeks package for MSMEs



Telugu Desam Party (TDP) president N. Chandrababu Naidu has demanded that the Centre, in association with the RBI, announce a special package for the Micro, Small and Medium Enterprises (MSME) in the State that are on the verge of closure due to erratic power supply. The package should earmark 12 per cent of total power generation to the MSME sector, restructuring of term loan schedules and strict adherence to the Industrial Investment Promotion policy. Mr. Naidu recently addressed the participants of the relay hunger strike by the Federation of AP Small Industries Association (FAPSIA) demanding steps to provide power to industry.

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### Kerala to have International Skill Academy to boost MSME

Sensing a pressing need for high-quality vocational education, the Kerala government is planning to set up an international skill academy that aims to boost the growth of micro, small and medium enterprises (MSMEs) in the state, Labour Minister Shri Shibu Baby John said recently. Already quite a few players have shown interest to help realise the proposed endeavour, he said at the Emerging Kerala Global Connect in the city.

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### Raise share of women in MSME sector: Vayalar Ravi

From pappadoms to power cables, women entrepreneurs make everything today, but have only 7.6 per cent share in the 26 million micro small and medium enterprises (MSMEs) in the country. There is need to change this situation. The share of women entrepreneurs needs to be raised to at least 25 per cent, Minister for MSMEs Vayalar Ravi said. He was addressing the 12th Global Conference of Women Entrepreneurs recently.



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### Google launches premier SME partner programme

Led by strong demand for digital advertising from small and medium sized businesses (SMBs), Google India recently launched Premier SME Partner programme to maximise its reach to SMEs businesses spread across the country. The company will provide specialised services to SMEs to grow their businesses through digital advertising. Google's Premier SME Partners will be trained to offer the highest level of expertise and proficiency in developing, launching and managing digital campaigns for SMBs.

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### McLaren gets overwhelming response from SMEs

Telecom service provider, Vodafone has received over 270,000 entries from small and medium enterprises (SMEs) in India for the second season of the career's Drive into the Big League' programme. The first season had attracted 80,000 entries a year ago. It's a contest meant for enterprises, in the turnover range of Rs 10 crore and Rs 250 crore, to win a logo display opportunity on the Vodafone McLaren Mercedes race cars of Grand Prix from October 26, 2012 to October 28, 2012.

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### TN CM extends interest subsidy for MSME businessmen

Chief Minister J Jayalithaa recently ordered extension of a scheme to provide interest subsidy to the loans availed by entrepreneurs through the Tamil Nadu Industrial Investment Corporation Limited (TICC), for running industries in the Micro, Small and Medium (MSME) Sector for one more year. To help develop the MSME sector in Tamil Nadu, the CM had already ordered issuing loans through TICC with three per cent interest subsidy during the current financial year.

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### UP Cabinet okays new industrial policy

The Uttar Pradesh Cabinet, in its pursuit to iron out regional industrial imbalance and attract fresh investment recently gave its nod and cleared the New Industrial & Infrastructure Investment Policy 2012. The policy is aimed at ameliorating the ills of traditional industries scattered across the state and energising the micro, small and medium enterprises (MSME) base estimated at over 3 million units.

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### Govt hints at further liberalisation of ECB norms



The government recently said it will look at the possibility of further liberalisation of external commercial borrowing (ECB) norms to boost inflows from overseas. "We will continue to look at various spaces of which ECB is one...not only to increase the foreign flow in the country, but also to improve business climate," Department of

Economic Affairs Secretary Arvind Mayaram said.

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### Vodafone offers services to SME sector

Vodafone India is making a foray into the small and medium enterprises (SMEs) segment with mobility, connectivity and cloud computing services on the offer. "It is (SME sector) currently the fastest growing market and that is the reason why any telecom wants to get into the market," Vodafone India Executive Vice President and Head —SME Business Deepak Pande said. He said Vodafone's suite consists of three kinds of products which include wireless products such as voice and data, connectivity services like internet lease lines and cloud computing.

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### India to hunt for patented tech to bridge innovation gap

Seeking to accelerate innovation, India will launch a global hunt for patented technology to fill in the gaps in its initiatives and hand them over to small industries to speed product development. The Department of Scientific and Industrial Research (DSIR) has identified six areas -- affordable healthcare, low cost diagnostics, solar energy, water, smart materials and creating wealth from waste -- where there were gaps in technology creating impediment in product development.

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### MCX-SX plans to offer SME platform from next year

The Jignesh Shah-promoted MCX Stock Exchange (MCX-SX) is gearing up to take on its peers, BSE and the National Stock Exchange (NSE), by setting its eyes on the small and medium enterprise (SME) platform. The latest entrant in the stock exchange arena is planning to launch an SME platform next year, a top official



recently said. "There are about 26 million SMEs in India. As per estimate, at least one per cent of them are profitable but lack equity participation. This number of SMEs will be even more than those listed on BSE. So, there is a huge scope for the SME platform. We are surely looking at this option, but will not disclose the details now," said Joseph Massey, chief executive officer of MCX-SX.

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Mauritius



### Mauritius invites women entrepreneurs in MSME sector

Mauritius recently invited Indian women entrepreneurs, particularly in micro, small and medium sector, to collaborate with their counterparts in the island nation in areas such as technology and skill development. "I invite you to explore opportunities and have alliances or joint ventures with your counterparts in Mauritius in areas like skill development, technology and equipment," Mauritius minister Mireille Martinshe Martin said recently.

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South Africa



### Indian bank opens branch in South Africa

State-owned Bank of India (BoI) has opened its first branch in a move to enhance the relationship between South Africa and India while contributing to the overall development of the BRICS grouping. BoI Managing Director Shri Alok K. Misra said increasing business interaction and trade between the two emerging economic power houses means that banking demand of doing business is rising.

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## New Members

### 7 new members join FISME

During the period September 1, 2012 to September 15, 2012 a total of 7 new MSMEs became members of FISME.

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