

The objective of SMEFDP is to improve MSME access to finance (including term finance) and market oriented Business Development Services (BDS).

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MSME BuDS

BDS Bulletin: Small and Medium Enterprises Financing and Development Project (SMEFDP)



Dear Readers,

It gives me great pleasure to bring to you the 2nd issue of 'MSME BuDS' - the BDS newsletter of SMEFDP.

In our first issue we had introduced the project and the three BDS clusters to you. I wish to thank all those who have responded with appreciation and feedback, encouraging us to share more about BDS and our experience in clusters.

BDS is the cornerstone of the SMEFDP. In our journey in the three clusters we have learnt that there is a huge latent demand for BDS but it remains unmet due to limited knowledge of BDS. For some kind of strategic services there is a problem of supply and sometimes BDS providers do not see the MSME sector as a lucrative market. The enterprises are generally not equipped to articulate their BDS needs and thus not able to go out and get them addressed.

This situation poses challenges for the project. In the ongoing three clusters, the project has been able to demonstrate a path on a pilot scale to meet these challenges.

It is also the time for the project to embark on its second phase of its journey where 15 additional clusters will be taken up for implementation. Project Management Division has ensured that phase II implementation builds on the learning from the 3 existing clusters. We bring to you some of the stories from these clusters in this issue.

I hope you will find this issue as useful as you did the first one. Please do continue to write to us to help us further improve our efforts.

With warm regards,

VS Rathore
 Chief General Manager,
 SIDBI



BDS Bazar: One-to-One meet between BDS providers and SMEs in Alleppey



Expert from SES Germany providing insights to Kanpur stitchers.



'Measurement Accuracy & Calibration for Process Control' Workshop in Pune



Meeting with F&V processing units on Energy Efficiency

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Kanpur Leather Cluster

Website: www.kanpurbds.com



The leather cluster of Kanpur holds a prominent place in Indian Industry in view of its contribution to employment, growth and exports. The exports from this cluster during 2006-07 were approximately Rs. 28 billion. Interestingly, exports from Kanpur leather cluster has been growing at a Compounded Annual Growth Rate of 18% p.a. for last 5 years as against 8.50% p.a. for the entire Leather sector. Council for Leather Exports, Kanpur has set a target of doubling the output of Kanpur Leather cluster in next 5 years.

Industry Associations as Key Enablers and PPP strategy

The project having identified skill upgradation as one of main points, suggested that a new training center should be set up to meet the demand for operators. This center should be in Public Private Partnership (PPP) mode so that risks associated with quality, employability, practicality etc. could be shared by all the stakeholders. The programme has to be managed and run by the industry association so that, apart from providing a strong institutional foundation, the demands for skilled manpower could be aggregated and financial as well as technical resources could be mobilized by the entire cluster for common good.

The UPLIA agreed to take up this initiative to set up a new skill development center at Jajmau (in the proximity of SME units and having connectivity with nearby villages) and showed their willingness to part fund the initiative.

Skill Development Center

The high growth of the cluster having intensive labour requirements (400 operators are required to make 1000 pairs of shoes / day) has resulted in high demand for skilled manpower at operator level. Although, Kanpur has three leather institutes but none has a short-term course that can train skilled manpower at the operator level. There is only one '3 month operator training course' training 40 operators per annum.

The ongoing long duration courses from these institutes have a focus on supervisor level but suffer with lack of industry-institute interface resulting in not up to date course curriculum and non acceptability by the manufacturing units. The industry has to resort to hire untrained manpower through a contractor route and train them for months together before getting any output. The manpower hired through contractor route also has another major issue – work culture of an artisan rather than that of a factory worker.

This has been resulting in loss of productive time and assets without getting any significant long term benefits. The UP Leather Industries Association (UPLIA) is seized of this issue and is aware that they will need at least 10000 skilled operators in next 4 years if the growth rate is to be continued.

Outreach Programme

One month prior to the starting date an extensive outreach programme was conducted for about fifteen days where in 10,000 pamphlets were distributed in the rural as well as slum areas adjoining the industrial belts of Jajmau, Banthar and Magarwara. This step received tremendous response and more than 250 candidates registered in the first 10 days itself for the training, which effectively meant that the next six batches were booked right from the beginning. Key people from the industry took keen interest in the activities and personally supervised the progress. One training manager and an assistant were recruited by UPLIA to oversee the program on a day to day basis. More than 90% of the candidates passing out of the first batch in April have already been placed. There have been some learning and the training programme has suitably been modified from the second batch itself to select the right kind of candidates and make them more employable in the industry.

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Training Interventions by the project

BDS project (being implemented by IL&FS CDI) team facilitated various rounds of meetings to sensitize the stakeholders on the significance of the proposed programme. Since, there was no institute offering the desired services at Kanpur, linkages were developed with Central Leather Research Institute (CLRI) and with Indian Institute of Leather Products (IILP) (both agencies from Chennai). UPLIA was assisted by the BDS project in preparing a formal proposal for the training of 500 people in 1 year on pilot basis for shoe upper stitching on modern machines. **It was decided to target only poor jobless unskilled youth with special focus on women who needed a secured source of livelihood.**

The proposal was submitted for part funding from the HRD Mission through CLRI Chennai. A skill development coordination group was set up to steer the programme. The group reviewed the course contents of CFTI and IILP and the latter's 30 days course module was found to be most suitable for the short-term training programme. The program is being funded by Industry (42%), CLRI (20%) and support from the project (38%).



Way Forward

IILP would continue to conduct the trainings at the newly constructed centre at DTS Jajmau during the first year. In the meantime a group of local trainers would also be developed to join the initiative from next year onwards. Freelance trainers would also be developed who would impart skill up gradation trainings to people already working in the industries. Further courses in machine maintenance, fitting etc would be started so that, in the next 2-3 years, UPLIA becomes a service provider to the industry for all kinds of training and skill development needs. The support from the project would be gradually withdrawn by helping the service providers to upscale and reduce the cost of delivery and provide the services on market terms.

What UPLIA has to say

The BDS for MSMEs in Kanpur Leather cluster initiative is making good progress in terms of vision building and interventions among the various stakeholders in Kanpur. We aim to address the issue of shortage of skilled labour through this initiative. It is also worth mentioning that the Kanpur BDS project which emphasizes on creating local service providers in the various areas of leather and footwear business, through various initiatives like skill development, training, workshops, etc. will surely enhance the competitiveness of the Kanpur leather clusters as a whole: Maqsood Alam, UPLI A

Beneficiary of Skill Development Programme.. a ray of hope for Rizwan (and many more)

My name is Rizwan and I come from a poor Muslim family of Jajmau area in Kanpur. I could not study beyond 5th class and each day was an ordeal for my family as it was a struggle to make both ends meet. In the past my father had tried many times to get me a job in local leather factories but found the money being offered by contractors too little to make a difference to our family's life.

I read a pamphlet on skill training by the BDS project and got enrolled for the course. The dire need and support of training encouraged me to work hard during the training. The production manager from Calico, a prominent manufacturing unit, who came to recruit students selected me as a shoe upper stitcher with a daily stipend of Rs. 100/- with a promise to increase it to Rs. 170/- after two months. My family cannot believe our luck that within one month our income has more than doubled. At least now we need not worry much about making our ends meet.....I am there to take care of everyone.

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Pune Fruit & Vegetable Processing Cluster

Website: www.punebds.com



The Pune Fruit and Vegetable processing cluster has a preponderance of micro enterprises with about 400 of the 550 odd MSMEs falling in the category of Micro enterprises and the rest in Small/Medium categories. Of these, about 35 units are into exports constituting about 10% of the total firms of the cluster.

Strategy to tackle the issues in the cluster

The strategy includes : Sensitization Programmes involving BDS firms & MSMEs; Industry linkages with BDS providers; Training to create new service providers; Linking them to MSMEs; Strategic Partnerships with them for enhancement of productivity, Capacity Building of existing Organizations /BDS providers and link them to national level providers. A cluster level portal developed by the agency has been well received by the cluster and strategy includes the transformation of this portal to a BDS provider. The Strategy includes creation of meso organizations– one at the processing units level and another at farm linkage level. These meso organizations would be coordinating with lead BDS providers in their respective domain to supply the BDS.

Diagnostic Study by Apex Cluster, the BDS facilitator

The issues emerged during the diagnostic were majorly related to:

- Information & communication technology,
- Product Development,
- Labeling and Bar coding,
- Marketing & Packaging,
- Access to Raw Material,
- Food Technology Legal Services/Policy, Analytical and Testing Training

Project Implementation / Activities Conducted

In view of predominance of micro enterprises in the cluster, emphasis has been laid on creation of awareness about BDS. Various programmes have been conducted to sensitize the cluster stakeholders, BDS providers and MSMEs in the cluster on issues such as best practices for pack houses, cold chains, finance, labeling, packaging, Food safety & standards, Calibration techniques

for firms & BDS etc.

On the supply side, training programmes for BDS providers on various BDS domains like marketing linkages, exports, Finance etc. are also being conducted. NAFARI, a testing lab has agreed to carry out this role for processing units. Gomukh, a NGO, has been identified to lead the initiative at raw material linkage level.



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Revival of NAFARI – a story from Pune

The BDS Project in Pune has been working with NAFARI (National Agriculture and Food Analysis and Research Institute) which has agreed to become a meso organisation in the cluster.

NAFARI was in financial crisis during the Financial Year (FY) 2006. The losses were to the tune of Rs. 1.77 lakhs (approximately USD 4,500).

Rs Lakhs

NAFARI's progress	FY 2007	FY 2008 (approx.)	Last qtr.FY 2008
Profits	(-) 1.77	3.5	
Turnover	24.0	39.0	17.0
Client Base	-	310	150

However NAFARI has earned profits of about Rs. 3.5 lakhs (approx USD 9,000) during the last FY (2007).

NAFARI's turnover during FY 2008 has been Rs. 39 lakhs compared to Rs. 24 lakhs in the previous. Out of this turnover, Rs. 17 lakhs have been generated during the period of Jan-Mar 2008. The project has started on active association with NAFARI during last 3 months of FY2008.

Under the BDS Project 5 training programmes have been organized so far in partnership with NAFARI. This has resulted in an increase in their market reach in F&V processing cluster. These training programmes included workshops on 'Food Safety & Standards Act in labeling & packaging', 'Calibration Techniques', and awareness programme on 'Hazard Analysis & Critical Control Points' and 'SPS standards for small, medium industries'.

NAFARI has been able to enhance its reach/client base through these training programmes. Their client base was of the order of 310 during FY 2008 of which 150 have been added in the last quarter itself.

Energy Efficiency Profiling of Fruit & Vegetable Processing units at Pune

The fruit and vegetable processing units located in and around Pune form an important food processing cluster in India. Energy is an important input in food processing and constitute up to approx. 10% of the cost of production. It has emerged that providing the MSME units with simple 'Do's and Don'ts' tips to save energy would be an extremely useful tool which would go a long way in enhancing their competitiveness.

The project has supported The Energy and Resources Institute (TERI) to carry out the job. TERI in its interim report has indicated that most of these units use energy inefficiently and there is a considerable scope to improve their energy performance by adoption of better technologies/equipments and good housekeeping.



Alleppey Coir Cluster

Website: www.alappuzhabds.com



During the diagnostics, the BDS facilitator agency (Cluster Pulse) identified following 3 major areas for the intervention:

- Input quality improvement
- Technological obsolescence
- Market Access- domestic as well as international market for better value realization

However, there was a bigger problem on cards. The cluster is at a distance of about 60 Km from Cochin, the state capital. Most of the BDS providers were based in Kochi and were not interested in coir cluster at Alleppey. This prompted the BDS Project to first provide a glimpse of the opportunities in Coir cluster to the prospective BDS providers.

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Training of BDS providers

A training programme was organized by the BDS project in Alleppey to cast the net wider to identify more BDS providers, provide an overview of coir & BDS issues to the BDS providers identified. The training programme also included sessions on separate functional areas like marketing, finance, production & organisation with specific BDS providers. The BDS project utilized the following 2 tools to enhance the reach of BDS providers:-

- Participation in IICF
- BDS Yellow Pages

Participation in IICF

Indian International Coir Fair (IICF) is organized once in four years. The last was organized in the month of December 2007 by the Coir Board. It was a big event with more than 100 foreign buyers participating.

The BDS project took a stall in IICF and provided the opportunity to interested SME units and BDS providers to interact with each other with the foreign buyers and exporters

BDS Yellow Pages

A need has been felt to have a common database of BDS providers which can be used by MSME units in the cluster to meet their needs for the BDS. The Yellow Pages comprises of 70 public/ private BDS providers.



Viability Gap Funding of a Business Center in Alleppey

Alappuzha is the major hub of coir production in Kerala with almost 80 per cent of the coir factories in the state located in this district with majority of production being exported.

Alappuzha Coir Cluster Development society (ACCDS), an initiative of Coir Board has launched 'Alappuzha Coir Cluster Development project' to bring relief to the limping coir industry by taking various initiatives. ACCDS had sanctioned a grant to construct a Business Development Center to Coir Shipper's Council (CSC). The center was meant to address the long pending demand of proper infrastructure for the meetings, workshops with foreign buyers, design center etc. The center has a total outlay of Rs. 101 lakh estimated for the phase I (total outlay of Rs. 350 lakh). This was to be funded by a contribution of 75% from ACCDS and the balance 25% was supposed to be raised by CSC.

The CSC was able to mobilize only 15% of the estimated cost for the first phase and it needed more time to mobilize the balance. With an intention to inspire the confidence amongst coir cluster member, the project has provided a viability gap funding of 10% to the initiative to enable the CSC to complete the phase I of the project. It is expected that the initiative would create trust amongst stakeholders and motivate them to set up the remaining phases on of their own. Needless to say that one small step of the project would also contribute significantly to create a Business Development Center in the cluster.

MSME Outreach Seminar in Alleppey

The BDS providers were trained and MSMEs sensitized about the BDS services and their role in the business development.

Now a need emerged to create linkages of these BDS providers with the Coir MSMEs in the cluster. A MSME outreach seminar was organized by facilitator agency in the cluster to link BDS providers and MSMEs. A need assessment survey was conducted. 67 MSME units registered themselves desirous of having one to one meetings with BDS providers.

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BDS project has been trying various ways to enhance the acceptability of BDS providers amongst SMEs. Some of the major initiatives are :

- Demonstrating success stories
- Trust Building with Industry Associations

Demonstrating Success Stories

- A consortium of micro units called Venice Coir consortium was facing the need for linkages to market its products. Facilitator agency not only linked them to the Vah Magna chain stores, a retail value chain but also get them first order to supply coir products.
- At a village in Alleppey, the micro units were having sheds but no electricity. It was made possible to electrify them after intervention by BDS providers trained under the project.
- SIDBI was also approached to contribute to set up a Common Facility Centre (CFC) for the benefit of coir industry exporters. SIDBI assisted the project with the technical assistance to partly fund the project.

My name is Samson, and I am the Managing Director of Venice Coir Consortia consisting of 42 shareholders of coir weavers and spinners selling under a common brand name of Venice Coir.

Our biggest problem was to develop the market for our coir mats and matting. We approached the project and they advised us to promote our products in the domestic market. We were introduced to ProMart Solutions which is a marketing BDS provider and who was trained by the project. Within 15 days of assistance we received the first trial order from MAGNA for Rs. 49,000. MAGNA informed that this is the first time they are dealing with some small vendor and are not quite

confident about our capability to fulfil their large requirement of 15 stores in Hyderabad & 45 stores in the rest of AP and long term association would depend on our successful completion of the trial order. We have executed the order in time and it has been a big learning for us regarding our communications style, product quality, packing, delivery etc. The monthly order value could be approx. Rs 0.75 mn for all of MAGNA stores. We are confident of getting this order as well as make breakthrough with other retail chains.



Alleppey Success Story

Trust Building

Initially, there was an acute need for creating trust among the cluster stakeholders and also to demonstrate the services which the BDS project planned to introduce in the cluster. To create the trust, it was very necessary to work with and for the cluster stakeholders. To carry forward this mandate the facilitator agency has:

- (1) signed Memorandum of Understanding (MoU) with Indian Coir Association, a leading association in coir industry in Alleppey to help them in crafting their website and to help them in designing new products and product development,
- (2) entered into an MoU with Coir Shippers Council to make them IT enabled, to create their international marketing linkages and to train their members in the different business activities such as marketing, finance, production and organization.
- (3) Travancore Mats & Matting manufacturers Association (TCMMA) another association operating from the Alleppey coir cluster was also approached by the BDS project for an MoU. The earlier rise of INR against USD in the recent past had been causing a lot of trouble to TCMMA and its members were keen to gain knowledge on forex related issues and its impact on exports. The BDS project arranged a 1 day workshop in Alleppey with the help of Citi Bank and this resulted in creation of trust between both the parties and signing of an MoU.

BDS Bazar (Market)

A physical market place on temporary basis was created by the agency. 10 BDS providers participated in the one to one meetings. The agency had put up 10 tables in a hall for these BDS providers. MSME units desirous of meeting with these service providers were provided time slots and the experts from implementing agency were involved in the meetings to enable the MSMEs to articulate their requirements.

During the event, 38 MSMEs have shown interest in international & domestic marketing, 18 in developing their websites, 14 in new product design technology/new dyeing techniques for the coir mats & matting and 7 MSME units to get financial support to develop their business /develop new product introductions.

Explore

LUDHIANA Forging cluster SMEs to promote energy conservation via Clean Development Mechanisms (CDM) project

SIDBI has signed an MoU with Ludhiana Hand Tools & Forging Envirocare Pvt. Ltd., a Special Purpose Vehicle (SPV) floated by SME units in Ludhiana's steel forging cluster. This MOU is part of SIDBI's vision to enable SMEs embrace green technologies & facilitate environment protection.

SPV would be playing the role of a 'Single Window Solution Provider' to various stakeholders on the project including technology providers, fuel suppliers, IBRD, Banks & Financial Institutions and also act as a bundler.

Around 300 MSMEs are expected to benefit from the

project. The World Bank has given its backing to this initiative by agreeing to purchase approx. 1 mio Carbon Emission Reductions (CER) units from the SPV. Despite support from various agencies, SPV was not able to arrange financial linkages for its members, standardize the technology to implement the project and required to build its capacity.

The project has agreed to support the SPV to strengthen its capacity and also to enable its members to have access to institutional funds on the recommendation of the SPV. Under the arrangement, the SPV would be the nodal point to assist its members in completing application forms, carry out the due diligence and forward to the Bank with its recommendations without any guarantee on its part. The initiative could pave the way for a new tool for lending in MSME clusters and be replicated.

Forthcoming Events

Event	Organised by	When & Where
Workshop for Exporter SMEs & BDS providers for exploring new opportunities and procedures	Apex Cluster Development Services Pvt. Ltd.	June, Pune
MIS & IT related Services for MSMEs in Kanpur Leather Cluster	IL&FS CDI and AxInd Software Pvt. Ltd.	July, Kanpur
ISO Training to train BDS providers	Cluster Pulse	July, Alleppey
Pre-conference Forum on Growing Inclusive Markets	IDRC, CIDA, UNDP	20-21 June in Halifax, Canada
'Making Markets Work' - Training Programme:	Springfield Centre, UK	13 - 25 July 2008, Glasgow, UK

Upcoming Project Expansion

SMEFDP will soon launch its second phase of BDS covering following 15 additional Clusters:

Sub-Sectors	Clusters
Pharmaceuticals	Indore, Dehradun, Hyderabad
Knitted Apparel	Tirupur, Ludhiana
Engineering	Coimbatore, Rajkot, Mohali-Panchkula-Chandigarh, Rourkela
Dyes and chemicals	Ahmedabad
Fruits and Vegetables processing	Ganjam-Gajpati
Leather	Kolkata, Chennai
Floor Coverings	Bhadohi, Panipat

We **invite** articles from **Indian** and **global** BDS practitioners. Please **email** us your **contributions** at

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