

# SME CONNECT

**Empowered SMEs  
will accomplish  
GDP Growth**

**9%**



**INSIDE**



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# PRESIDENT'S DESK

The inaugural issue of SME connect magazine was released successfully at the hands of Shri. Virbhadr Singh, Hon'ble Minister for Micro, Small and Medium Enterprises.

We are happy to bring out the 2nd issue of the magazine with more features, articles and other useful information.

Finance is the fulcrum of business activities and we have included few articles related to importance of Financial Advisory Services, the necessity to out source CFO services and Cost & Strategic Management for growth. There are also other interesting articles on the advantages of credit rating and IT for SMEs.

In the recently held Maharashtra Economic Summit we were fortunate to have with us Hon'ble Governors of Maharashtra, Orissa and Tripura.

We have also arranged interactive meetings for SMEs with the Hon'ble Consul Generals of China and Belgium.

The highlight of our initiatives to open new markets for Indian SMEs was the visit to Slovenia and a separate report is added in this edition.

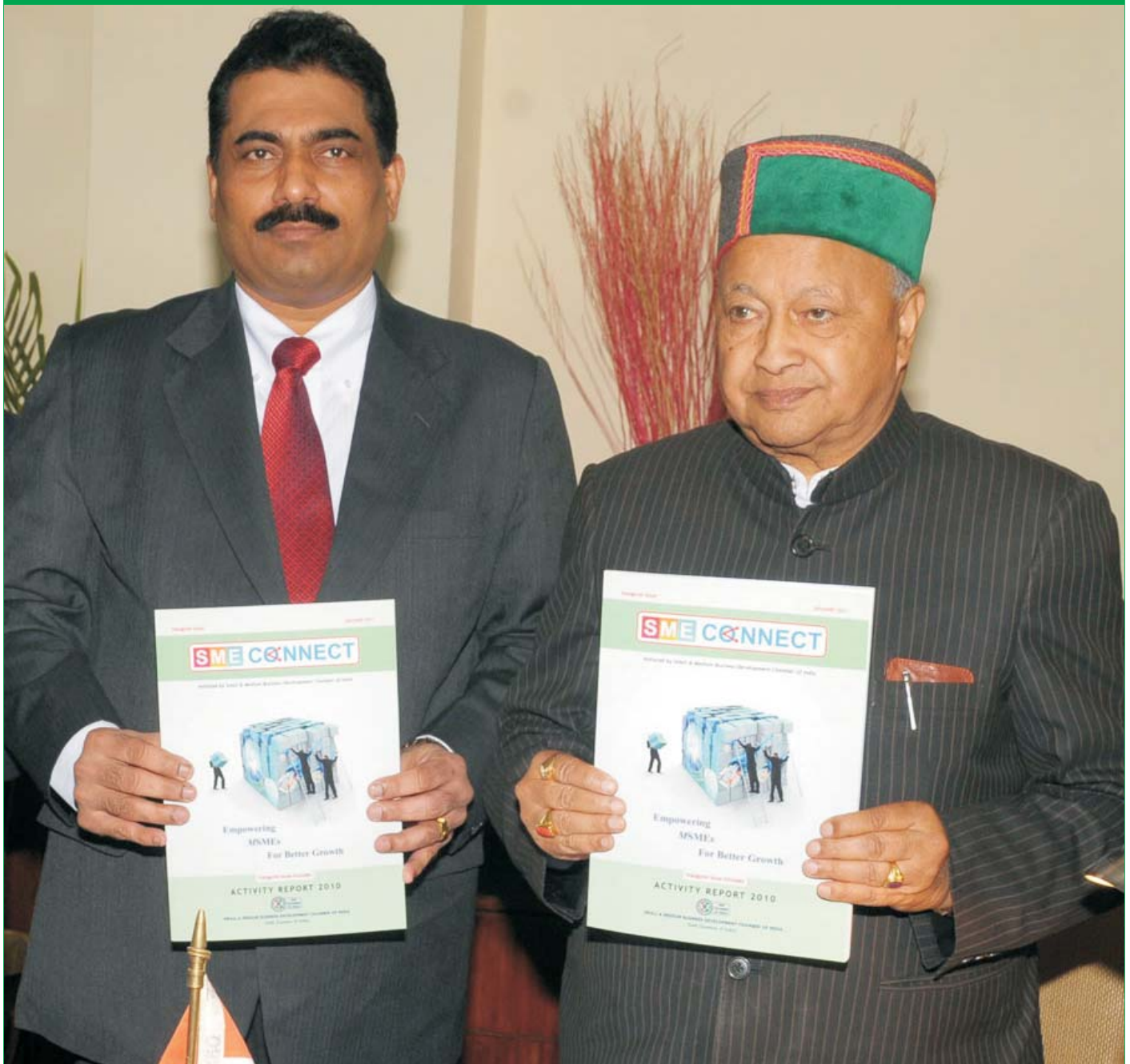
We will continue to add more features, interviews and other useful information in our forth-coming issues.

I express my sincere thanks to the supporters, advertisers, authors and all those who have contributed towards the success of this magazine.

I welcome your feedback and suggestions to help us serve you better.

**Chandrakant Salunkhe***Founder President**Small & Medium Business**Development Chamber of India**Email: sme-chamberofindia@vsnl.net*

# RELEASE OF 1<sup>st</sup> ISSUE OF SME CONNECT



*Shri. Virbhadra Singh - Hon'ble Union Minister for MSME releasing "SME CONNECT" - Magazine and Activity Report 2010 of Small & Medium Business Development Chamber of India (SME Chamber of India) on 21st February 2011 at New Delhi. Shri. Chandrakant Salunkhe - President, Small & Medium Business Development Chamber of India (SME Chamber of India) in the picture*

*To Download the 1st Issue of SME CONNECT*

*Please Visit: [http://www.smechamberofindia.com/1st\\_Issue\\_SME\\_Connect.pdf](http://www.smechamberofindia.com/1st_Issue_SME_Connect.pdf)*

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## MAHARASHTRA ECONOMIC SUMMIT

MEMORIAL LECTURE | KEYNOTE SPEECH | PANEL DISCUSSION | AWARDS  
and 6th Foundation Day of Maharashtra Industrial and Economic Development Association (MIEDA)

Organised 12th March 2011 | Hotel InterContinental The Lalit, Mumbai

### INAUGURATION OF THE SUMMIT



**H.E. Shri Murlidhar Bhandare** – Hon'ble Governor, Orissa inaugurating the Summit. Other Dignitaries (L to R) **Dr. Raghunath Mashelkar** – President, Global Research Alliance, **Shri G. N. Bajpai** – Former Chairman, SEBI and Chairman, Y. B. Chavan Memorial Awards for Excellence, **Shri Chandrakant Salunkhe** – President, SME Chamber of India & MIEDA, **Dr. C. Rangarajan** – Chairman, Economic Advisory Council to the Prime Minister, **Shri A. Rameshkumar** – MD & CEO, Asia Pragati Capfin Pvt. Ltd. **Shri Ramu Deora** – President, FIEO, **Shri U. Venkataraman** – Executive Director, MCX-SX and **Shri Vinay Phadnis** – CMD, Phadnis Group

### RELEASE OF ACTIVITY REPORT - 2010 OF MIEDA



Dignitaries (L to R) **Shri Chandrakant Salunkhe** – President, SME Chamber of India & MIEDA, **Shri Yashwant Sinha** – Chairman, Parliamentary Standing Committee on Finance and Former Finance Minister, **H. E. Shri K. Sankaranarayanan** – Hon'ble Governor of Maharashtra, **H.E. Shri Murlidhar Bhandare** – Hon'ble Governor, Orissa, **H. E. Dr. D.Y. Patil** – Hon'ble Governor of Tripura and **Captain C.P. Krishnan Nair** - Chairman, The Leela Group of Hotels during the Release of Activity Report - 2010 of MIEDA on the Occasion of 6th Foundation Day of the Maharashtra Industrial and Economic Development Association (MIEDA)

### H.E. Shri K. Sankaranarayanan - Hon'ble Governor of Maharashtra



*“Enabling the poor students to go in for higher education and give them a chance to study the stream of their interest with cost effective fee structure and other infrastructural facilities are the most important steps to be taken to make Maharashtra the leading State”*

observed the Hon'ble Governor of Maharashtra. He highlighted the contribution of Maharashtra – 30% towards GDP, 15% of national income and 40% of Tax collection as quite significant.

Mentioning that Jharkand is one of the richest states, he pointed out that the ruling and opposition parties are co-operating together for the development of the state. We should not compromise to achieve developments. There are 2 million students going for higher education and the Public and private institutions should generate half a million trained manpower.

He also drew the attention of the delegates about the National Skill Development Council which was set up in 2008, to set the vision and form core strategies for developing skills among India's large population of young people. The council forms an important part of the government's initiatives to nurture India's demographic dividend.

He emphasised that we should create 15 crore skilled people to meet the future challenges of the industrial and economic development of Maharashtra and the Government is committed to this objective.

### H.E. Shri Murlidhar Bhandare - Hon'ble Governor of Orissa



*“Poverty leads to illiteracy while literacy will drive away the poverty”*, mentioned H.E. Shri Murlidhar Bhandare, Hon'ble Governor of Orissa

while inaugurating the Summit. He praised the role of Shri Y.B. Chavan, the first Chief Minister of Maharashtra who also held honourable positions such as Deputy Prime Minister of India, Home Minister, Finance Minister and External Affairs Minister. He referred himself as a human first, then an Indian, then a Maharashtrian and finally a Mumbaikar.

He is proud to be associated with Shri Y. B. Chavan during his young age. He reiterated that we all should try to

become a good human being irrespective of where we live and what we do. Maharashtra is the biggest cosmopolitan State which has achieved high economic growth and human development growth. It is heartening to note that 60% of school children are girls outnumbering the boys. The rate of education should go up considerably to sustain the multifaceted democracy which is our main strength. We have reasons to be proud of our achievements due to our policy of “Unity in Diversity”

### H.E. Dr. D.Y. Patil - Hon'ble Governor of Tripura



*Dr. D.Y. Patil was conferred Y.B. Chavan Memorial Award for Excellence for his exemplary services in education and social activities.*

Accepting the award Dr. D. Y. Patil, reiterated the role of education in empowering the youth to become the future leaders by developing their character through good habits.

He fondly remembered Shri Y.B. Chavan's remarkable contributions for the development of Maharashtra State in various spheres. If we are able to convert his dreams and visions into reality in the right earnest there is no question as to why Maharashtra cannot achieve the

desired development and become the leading state in India.



## Y. B. CHAVAN MEMORIAL LECTURE ON “INDIAN ECONOMY – YESTERDAY, TODAY AND TOMORROW”

**Shri Yashwant Sinha** - Chairman, Parliamentary Standing Committee on Finance



*Shri Yashwant Sinha delivering the Y.B Chavan Memorial Lecture*



*Shri Chandrakant Salunkhe felicitating Shri Yashwant Sinha*

Shri Sinha touched upon the gradual and commendable growth the country had achieved from the first 5 year Plan till date. The growth in 1961-66 was 2.8% whereas it has touched 7.9% during 2002-07. Competition has to be there everywhere to achieve progress whether it is in politics, business education etc., but the same had not been encouraged. From the undesirable “*License –Quota Raj*” of yesteryears, we had started moving ahead since 1991. Exports were a necessity and pragmatic policies of the Government had achieved many important results. The country had succeeded in developing world class infrastructure of roads, railways, telecom etc. It also paved the way for developing rural connectivity, health, education and employment. When good infrastructure is not in place it adds to transaction costs

and makes the products uncompetitive and the economy suffers. We may land in moon one day, but what is the use of it, if the poor people of India are not even provided with basic minimum needs like food, water, housing, electricity and roads. High growth rate need not necessarily lead to high growth of inflation, he asserted.

Referring to the naxalism in Jharkhand from where he hails, Shri Sinha stressed upon the need for providing employment to the rural youth who otherwise are lured by the extremists.

**“No metro in India will be safe, if the villages are not safe”**. If we look at the mass upraise against the rulers in Tunisia and Egypt, we can conclude that it can happen anywhere in the world

including India. If the people are suppressed, their anger will erupt like a Tsunami one day which is not desirable. Therefore, while it is very important to formulate appropriate economic policies to achieve 8-9% growth, we should not lose sight of providing basic amenities and generate employment in rural areas. At any cost we should avoid the urban-rural rift to avoid a great deal of trouble. He proudly announced that India can achieve such a commendable economic growth because we live in a solid democracy and not in a silence of tyranny.

Referring to the importance of Small and Medium Enterprises, he emphasized that India could achieve double digit growth only when every village has cottage, small and medium sized industries.



*Dignitaries on the dias (Left to Right) Shri Yashwant Sinha - Chairman, Parliamentary Standing Committee on Finance and Former Finance Minister, H. E. Shri K. Sankaranarayanan – Hon'ble Governor of Maharashtra, H.E. Shri Murlidhar Bhandare – Hon'ble Governor, Orissa, H. E. Dr. D.Y. Patil – Hon'ble Governor of Tripura and Captain C.P. Krishnan Nair - Chairman, The Leela Group of Hotels, Shri A. Rameshkumar – MD & CEO, Asia Pragati Capfin Pvt. Ltd. and Shri G. N. Bajpai – Former Chairman, SEBI and Chairman, Y. B. Chavan Memorial Awards for Excellence*



## KEYNOTE SPEECH ON “STRATEGIC INITIATIVES FOR ECONOMIC GROWTH & SOME CONCERNS”

**Dr. C. Rangarajan** - Chairman, Economic Advisory Council to the Prime Minister



*Dr. C. Rangarajan delivering the Keynote Speech*



*Shri Chandrakant Salunkhe felicitating Dr. C. Rangarajan*

Dr. C. Rangarajan narrated about the growth of Indian Economy which grew at 6.81% per annum in the 5 year period from 2005-06 to 2009-10 and during 2009-10, it grew at an average of 8.6%. We are the 3rd largest economy in the world. He said that there is an urgent need to bring down the Current Account deficit to around 2.5% of GDP and control the inflation in order to achieve sustainable growth. He was suggesting a few steps to foster the economic growth. First, agriculture and infrastructure should be given top priority. Rural infrastructure and

appropriate supply chain mechanism should be created. Second, we should add more capacity to power generation.

***While it is the primary responsibility of the Government, more “Public - Private Partnership” should be encouraged to create additional capacity.*** Third, there should be good governance and efficient administration in all walks of life.

Management of human and other resources should be developed with emphasis on efficiency, accountability

and transparency. Due to unfavorable monsoon, recently the vegetable prices rose to a high level and by January 2011 the inflation was touching 8.2%. Balance of payment and Current Account deficit is under control. During 2010-11, the agriculture sector grew by 5.4%, industrial sector by 8.1% and service sector by 9.6%. Today's India is very different than the India of 1991. If adequate subsidies reach the people properly through efficient systems, this will generate an element of competition and we can achieve 9% growth.



***H.E. Shri K. Sankaranarayanan – Hon'ble Governor of Maharashtra and presenting the “Y. B. Chavan Memorial Award for Economic Reforms and Nation Building to Dr. C. Rangarajan – Chairman, Economic Advisory Council to the Prime Minister during the 6th Foundation Day of the Association on 12th March 2011 at Mumbai. Other Dignitaries from (R to L) H.E. Dr. D.Y. Patil – Hon'ble Governor of Tripura, H.E. Shri Murlidhar Bhandare –Hon'ble Governor, Orissa, Shri Chandrakant Salunkhe – President, SME Chamber of India & MIEDA and Shri Yashwant Sinha – Chairman, Parliamentary Standing Committee on Finance and Former Finance Minister***

### Shri Anand Mahindra - Vice Chairman & MD, Mahindra & Mahindra Ltd.



Shri Anand Mahindra thanked for honouring him with the **“Y.B. Chavan Memorial Award for Industrial Development and supporting Entrepreneurship”** and stressed the need to integrate the major cities with every district in the state for overall development of the state. Irrespective of their strengths and weaknesses, every city and district has to fight for their survival and growth. India is a huge country with many States, each one of them equal to the

size of some countries around the world. Therefore, we have to become a nation of prosperous States. The States and villages should understand that they themselves are responsible for their own destiny and should work harder by taking necessary steps for sustained growth.

Maharashtra has to play a greater role in the economic scenario and become an indispensable part of India. It should not merely try to compare itself with other States in India, but should strive to

compare and compete with the developed countries due to its huge size, natural wealth and human resources. This can be achieved only under able leadership with vision as well as good governance in place. The goal has to be galvanized with the people in mind, which is very important, he observed.

He expressed his confidence that very soon Maharashtra will grow to a 1 trillion USD economy, if we formulate growth oriented policies and implement them quickly.



**H.E. Shri K. Sankaranarayanan** – Hon’ble Governor of Maharashtra presenting the **“Y. B. Chavan Memorial Award for Excellence in Industry** to **Shri Anand Mahindra** – Vice Chairman & MD, Mahindra and Mahindra Ltd. during the **6th Foundation Day of the Association** on 12th March 2011 at Mumbai. The Other Dignitaries (L to R) **Shri Yashwant Sinha** - Chairman, Parliamentary Standing Committee on Finance and Former Finance Minister, **Shri Chandrakant Salunkhe** – President, SME Chamber of India & MIEDA, **H.E. Shri Murlidhar Bhandare** – Hon’ble Governor, Orissa and **H.E. Dr. D.Y. Patil** – Hon’ble Governor of Tripura

## ADDRESS BY EMINENT SPEAKERS



**Captain C.P. Krishnan Nair**  
Chairman, The Leela Group of Hotels.



**Shri Ramu Deora**  
President, FIEO



**Shri G. N Bajapi**  
Former Chairman, SEBI



**Shri Chandrakant Salunkhe**  
President, SME Chamber of India & MIEDA



**Shri U. Venkataraman**  
Executive Director, MCX Stock Exchange Ltd.



**Shri Vinay Phadnis**  
CMD, Phadnis Group



**Shri A. Rameshkumar**  
MD & CEO, Asia Pragati Capfin Pvt. Ltd.



*Delegates at the Summit*

## PANEL DISCUSSION ON “INDUSTRIAL, INFRASTRUCTURE AND ECONOMIC GROWTH OF MAHARASHTRA – A NEW AGENDA FOR DEVELOPMENT”



From (L to R) **Shri Azeez Khan** – Principal Secretary (Industries), Govt. of Maharashtra, **Shri Ajit Parasnis** - Director General of Police, Maharashtra, **Shri Chandrakant Salunkhe** – President, SME Chamber of India & MIEDA, **Shri. Prashant Nagre** – Chief Operating Officer, Fermenta Biotech Limited, **Dr. Raghunath Mashelkar** – President, Global Research Alliance , **Shri Y. M. Deosthalee** – Director and CFO, Larsen and Toubro Ltd., **Dr. Anil Kakodkar** – DAE, Homi Bhabha Chair Professor and Member, AEC and **Dr. Uday Salunkhe** – Director, Welingkar Institute of Management Development & Research

### Shri Azeez Khan - Principal Secretary (Industries), Government of Maharashtra



**“Only when you know where you are, you can decide where to go”,** said Shri Azeez Khan. It is therefore important to take stock of the present situation and set a goal for future progress. He reiterated that the progress of the State of Maharashtra is due to the collective efforts of people living in Maharashtra hailing from many other States. Maharashtra is progressing very well, and as on March 2010 the project implemented and under implementation are to the tune of USD 136 billion which is highest in the country. This figure is 50% higher than in March, 2009. The share of Maharashtra in Nation's industrial growth is in the region of 19 to 21% for the last 10 years. 35% of the FDI in India is invested in Maharashtra. The economic growth of the State in 2009-10

is 8.4%. Maharashtra has got a large number of people living below the poverty line and with poor health. The Government is coming out with new industrial policy in June 2011. This will have policies to correct regional imbalances and differences in employment creations. It is an irony to note that though Maharashtra is the richest state in per capita income, many of its districts still remain poor. The good point is that there are more proposals for industries received by the Government than the land available for allotment. There is huge human resource base available in the State to meet the requirements of the industry and there are several innovative ideas. Research Institutes, Academia and IITs are working with industries to create jobs for school drop outs. Land will be the central piece of development and there is a policy for public-private participation for land acquisition to allot them for the required projects.

Regarding the ease of doing business, a single window approach may not always work because of many constraints. Therefore a single window will be

available for facilitation and information. To this effect MIDC portal provides extensive information of central agencies and local bodies. There is a need for escort system for industries, business and SMEs and the Government is planning to rope in retired Government officials for this purpose. The excellent work done by the State for the cluster development has not attracted the attention of the media, as they consider it as not glamorous enough to report. Only two other States, Tamil Nadu and Andhra Pradesh have fared well in cluster development. Worli Sea Link Project faced many hurdles which had resulted in cost overrun. The Government is contemplating to use eco friendly paints, dry ash and bamboos to produce Ganesh Idols. The regulatory issues are becoming more complex for bio-technology and nuclear activities. Finally the overall development of the State can come through by integrating and internalizing the public-private partnership. Since 37% people live below poverty line, social factors need to be addressed while planning for the growth.

## Dr. Ragunath Mashelkar - President, Global Research Alliance



Innovation is the buzzword across the world which means **“Doing things differently to make a Difference”**, observed Dr. Mashelkar. India became the third most powerful country from a third world country due to its growth achieved through innovations. Decades of innovative policies and actions have resulted in a good economic growth of the country. National Innovation Council, under the Chairmanship of Shri Sam Pitroda, Adviser to the Prime Minister on Public Information Infrastructure and Innovations will be a boost to prepare a road map for Innovation during the decade 2010-

2020. Innovation is not only about technology but also should encompass all business processes and public policies. He suggested that as 28th February each year is celebrated as **“National Science Day”** to mark the discovery of Raman Effect on February 28 in 1928 by Sir. C. V. Raman, the Nobel Prize winner, a **“National Innovation Day”** should also be celebrated every year.

Maharashtra has got a good chance to become a one trillion USD economy, if it invest in research projects to convert the knowledge to wealth. Citing the example of the famous Bill Gates, he stressed that how a hardware manufacturing company encouraged a young student, Bill Gates, who was willing to offer new software. We all know that the rest is history. This type of encouragement should also come from the Indian Corporate to fuel innovation. The innovation eco system should have 3T namely **Talent,**

**Technology and Tolerance.** He mentioned some examples of Indian Innovation including a computer without a key board, a low cost Refrigerator and Tata's Nano Car. An innovative product should have three attributes – **availability, affordability and accessibility.** He mentioned about Reverse Innovation being pursued by Companies like General Electric. The process of reverse innovation begins by focusing on needs and requirements for low-cost products in countries like India and China. Once products are developed for these markets, they are then sold elsewhere - even in the West - at low a price which creates new markets and uses for these innovations. Good quality products at low prices will be the result of innovations. For the successful completion of a project, **speed, scale and sustainability** are important. There are some Government schemes which took 20 years to complete which should be avoided.

## Dr. Anil Kakodar - DAE, Homi Bhabha Chair Professor and Member, AEC



As countries move forward in time, the resources will diminish while the aspirations of the people will be on the rise. This will result in a demand-supply mismatch. Therefore it is necessary to look for alternative sources of supplies. In the area of power generation, atomic energy power stations are viable and cost effective. Referring to the recent calamity in Japan, Chernobyl in Ukraine and gas leakage in Bhopal, Dr. Kakodar stressed the point that there are enough

safeguards available today to avoid risk of radiation leaks. The countries have learnt from the experiences of disasters in other places. The safety of the reactors is very high today and there is no need for panic. These accidents should not make a country to deviate from its development path.

As regards India, the great force driving the economic growth is our demography. We are having a huge pool of young and working population while the graying population is increasing in other countries. Education and training are the two aspects which a country should focus on to develop knowledgeable and skill of manpower to meet future needs. It is sad that we treat education, industry and R & D as separate entities whereas unless these three are interconnected,

there cannot be real progress. Higher education and innovation should go hand in hand and should not be isolated.

Big Corporate should have a sizeable budget for R&D activities. He compared China with India with regard to Research Parks. While China has built 300 Research Parks, India has only one. He suggested that the Government should take initiative to set up 50 Research Parks in Maharashtra to maintain the leading position. Skilled development schemes should be decentralized up to district and block levels.

Educational Institutes, Industries and Social NGOs should work together to understand the skill requirements and take necessary action. The key point is that the infrastructure development should connect the people.

### Shri Ajit Parasnis - Director General of Police, Maharashtra



For the growth and prosperity of a State, two elements are very important namely, stability and peace. The police department has to maintain law and order situation by tackling petty crimes, organized crimes, cyber crimes, communal clashes and extremists. During the recent 26/11 calamity, the Mumbai police could not act quickly as they were ill equipped and unprepared. The police force were not trained to face such a situation. But we have learnt a lesson and have

initiated necessary steps. Now Force 1 is set up consisting of fit and young police personnel who are trained by military, NSG and overseas agencies. This force would be deployed to fight untoward incidents. He mentioned that extremism stems from the poverty and police alone cannot deal with it effectively.

Therefore, Maharashtra Police has recruited local boys who can freely move into the Jungle, collect intelligence, converse in the local language, persuade the extremists and fight if necessary in the local terrain. There is a state-of-the art college in Pune for training the police personnel. In the present set up, there is no continuity for officers in intelligence department who are frequently transferred to different departments and

hence their talents are wasted. Now the police is contemplating to utilize these officers only for specific purposes. Mumbai was worst affected during the 1993 riots, as a consequence of incidents in Ayodhya. This has taught a lesson to the police that communal harmony is of prime importance to maintain peace. The extremists were instigating the local people to fight.

To tackle the white collar economic crimes and the cyber crimes, special squads are in place with trained officers. To solve the dispute between the labour and the management in industrial areas, Maharashtra police is acting as a negotiator, by remaining impartial to both the parties. The DCPs are informed to organize periodical meetings with employees and industrialists in respective MIDCs.

### Shri Y.M. Deosthalee - Director and CFO, Larsen and Toubro Ltd



Post liberalization, a lot of infrastructure projects came up in India under the Public-Private Participation. Many sea ports, airports and highways were built across the country. But still there are many issues to be sorted out.

Hong Kong could achieve a world class infrastructure with little space due to the vision and leadership of the authorities. The key element for their success was the long term planning. In USA the plans are projected for 50 years anticipating the needs and problems. It is suggested that the

private sector be involved during the planning stages by the Government organisations so that effective plans can be prepared with a long term perspective. He also suggested that the Government should take active steps in acquisition of land for infrastructural activities and real estate. There is a huge shortage of skilled workforce in the areas of welders, fitters, machinists, plumbers, electricians etc., and there is an urgent need to educate and train youth as a mass movement to complete the projects in time.

While stressing the importance of honesty in the Government Departments, he added that only honesty is not sufficient and it should be merged with competence and efficiency. In the present circumstances where every State in India is competing with the other, the Chief Minister of a State has to take the

role of the CEO to maintain efficiency in delivery.

It takes many years to build a project in India which can be easily completed within 2 years in China. While China uses force to grab the land, in India it is not so easy. But there are interesting models available in India too, wherein a Project in Andhra Pradesh consisting of 72 Kilometers of rail and stations are completed in five years.

All approvals were in place with the active participation of the Government. The interesting part is that both the ruling party and the opposition showed the same amount of passion in completing the project. This goes to prove that even in India projects can be implemented within the stipulated time and cost provided the concerned agencies are ready to support the projects.

## PANEL DISCUSSION

**Dr. Uday Salunkhe** - Director, Welingkar Institute of Management Development & Research.



Taking pride in our ancient education system in Takshashila and Nalanda, Dr. Salunkhe touched upon the need to create not simply good managers but global managers. As innovation is going to rule every walk of life to remain competitive, technology driven

education system with speed and imagination should be in place. To achieve this it is important for students and entrepreneurs to learn, unlearn and relearn. *“Education is what you remember after what you forgot those which you memorized”*, he observed. Today's managers should have multi disciplinary experience in order to succeed. Four aspects of learning are important, called TWIT which stands for - Thinking age, work force, integrated learning and technology. Gross National happiness (GNH)

advocated by Bhutan and Canada are more important than the GDP. To foster innovation, innovation parks should be set up in every State. Today Educational institutions are controlled more than the industries. There should be a legislation to make the Corporate to educate and absorb the youth under “Teach One and Absorb One Scheme”. He also suggested to develop a scheme similar to carbon credits in the education sector, wherein the teachers who have put in considerable amount of time and efforts in educating the youth should be given certain points of credit which can be encashed.

## PRESENTATION OF Y. B. CHAVAN MEMORIAL AWARDS FOR EXCELLENCE - 2011

*H.E. Shri K. Sankaranarayanan – Hon’ble Governor of Maharashtra and H.E. Shri Murlidhar Bhandare – Hon’ble Governor, Orissa presenting the “Y. B. Chavan Memorial Award for Excellence*



**Dr. D.Y. Patil** – Founder President, D.Y. Patil Educational Academy & Hon’ble Governor of Tripura. Awarded for **Education & Social Activities**



**Shri Anand Mahindra** – Vice Chairman & MD, Mahindra and Mahindra Ltd. Awarded for **Excellence in Industry**



**Dr. C. Rangarajan** – Chairman, Economic Advisory Council to the PM Awarded for **“Economic Reforms & Nation Building”**



**Dr. Raghunath Mashelkar** – President, Global Research Alliance Awarded for **“Science and Technology”**

## PRESENTATION OF Y. B. CHAVAN MEMORIAL AWARDS FOR EXCELLENCE - 2011

*H.E. Shri K. Sankaranarayanan – Hon’ble Governor of Maharashtra and H.E. Shri Murlidhar Bhandare – Hon’ble Governor, Orissa presenting the “Y. B. Chavan Memorial Award for Excellence*



*Captain C.P. Krishnan Nair - Chairman, The Leela Group of Hotels Awarded for “Hospitality Sector”*



*Dr. Anil Kakodkar – DAE, Homi Bhabha Chair Professor and Member, AEC Awarded for “Scientific Research and Nuclear Power Programmes of India”*



*Appreciation Award to Shri Ajit Parasnis - DGP, Maharashtra on being appointed as DGP of Maharashtra*



*Shri Ujjwal Nikam - Senior Advocate and Public Prosecutor Awarded for “Law and Judiciary”*



*LOKMAT GROUP OF NEWSPAPERS Awarded for “Media and Social Sector” Shri Dinkar Raikar - Group Editor, Lokmat Group accepted the Award*



*Delegates at the Function*



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The challenges that SMEs have been facing for past many years are mainly related to marketing, export promotion, finance, banking system, adequate water supply, power and other essential infrastructure facilities. These problems remain unsolved till date, despite promises from authorities. Unless the basic requirements are met and proper encouragement is initiated by the Government, SMEs will continue to remain an unorganised sector. However, with the appropriate encouragement and support it has the potential to achieve the targeted GDP growth of 9 per cent.

Although the concerned agencies of Central and State Governments have been discussing, formulating policies, rules and regulations for providing required assistance, problems of the SMEs have not been effectively addressed.

One of the main problems is availability of adequate and timely finance from banks. A proposal from an SME unit takes at least three to four months for

disbursement of loan, and in most instances, the amount is not what the SME is actually entitled for, as



**The SME Sector has the potential to meet the Hon'ble Prime Minister's expectations of above 9% GDP, with sensible support from the Govt**

per rules. SMEs do not get sufficient financial assistance for market

development, export promotion, education and training on export activities. We hope that the Ministry of MSME, Ministry of Commerce and Industry will take appropriate initiatives and ensure that Indian Embassies abroad support SMEs on a priority basis. This will go a long way in enhancing export promotion of SME Sector.

SME Chamber of India, SME Export Promotion Council and India International Trade Centre are organizations that support SMEs and young entrepreneurs. That there are schemes and financial assistance available from various Government agencies but because of lack of information and connectivity, SMEs are unable to access these facilities.

Indian SMEs play a vital role for national development and also provide a platform for enhancement of employment and overall social development - but there are issues that need to be resolved.

*The above article is authored by Chandrakant Salunkhe who is the President of Small and Medium Business Development Chamber of India.*

## SLOVENIA VISIT

Mr. Chandrakant Salunkhe - President, SME Chamber of India & IITC-INDIA



*Mr. Chandrakant Salunkhe with Mr. Borut Pahor – Hon'ble Prime Minister of Republic of Slovenia on 7th April 2011 at Ljubljana, Slovenia*

Mr. Chandrakant Salunkhe, President, Small & Medium Business Development Chamber of India (SME Chamber of India) and India International Trade Centre (IITC-India), visited Ljubljana, Slovenia from 6th to 12th April, 2011 to conduct a dialogue with various Government Officials and Agencies, Chambers of Commerce and Investment Agencies to establish connectivity between SMEs and other companies of both the countries.

Mr. Salunkhe had the opportunity of meeting the Hon'ble Prime Minister of Slovenia H.E. Mr. Borut Pahor and apprising him briefly about the activities of the SME Chamber of India and IITC-INDIA, role and growth of Indian SMEs, their potential, the need & usefulness for establishing connectivity between Indian and Slovenian SMEs in various sectors.

Hon'ble PM suggested that we should give more importance to bring the entrepreneurs and SMEs from both the countries together for more cooperation and therefore it would be appropriate to set up “**INDIA-SLOVENIA SME DEVELOPMENT COUNCIL**”. Indian Ambassador in Slovenia also encouraged Mr. Salunkhe to take initiatives to set up this Council for the promotion of bilateral trade and investment in both the countries. Therefore Mr. Salunkhe on behalf of SME Chamber of India and IITC –INDIA set up this Council and also started its representative office in Ljubljana to provide support and assistance to Indian and Slovenian SMEs and companies.

Also established association with “**JAPTI – Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments as a partner of SME Chamber of India**. Mr. Salunkhe on behalf of SME Chamber of India and Mr. Igor Plestenjak, CEO, on behalf of JAPTI signed the **Memorandum of Understanding for more cooperation**.”

Mr. Salunkhe observed that SMEs will enormously benefit if they take advantage of opportunities in various business sectors available in Slovenia by obtaining necessary support from the Chamber. Once you enter into Slovenia, there is ample scope for business activities in other countries in the European Union including Balkan States like Serbia, Bulgaria, Albania, Croatia, Greece, Macedonia, Romania, and Turkey which are small countries but very useful for exports and investments in certain sectors.

## GLIMPSES OF THE VISIT

### HON'BLE PRIME MINISTER OF SLOVENIA



*Mr. Chandrakant Salunkhe paid a courtesy call to Mr. Borut Pahor – Hon'ble Prime Minister of Republic of Slovenia on 7th April 2011 at Ljubljana, Slovenia*

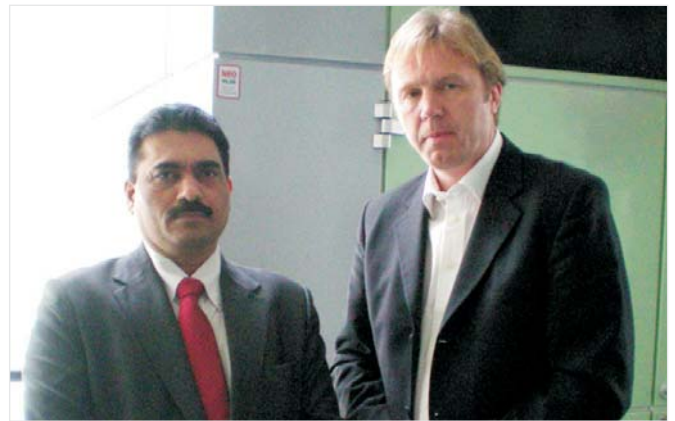
### HON'BLE FORMER PRESIDENT OF SLOVENIA



*Mr. Chandrakant Salunkhe paid a courtesy call to Mr. Milan Kučan – Hon'ble Former President of Republic of Slovenia on 8th April 2011 at Ljubljana, Slovenia*



*Mr. Chandrakant Salunkhe and Ms. Darja Radić - Hon'ble Minister of the Economy, Republic of Slovenia on 11th April 2011 at Ljubljana, Slovenia*



*Mr. Chandrakant Salunkhe and Mr. Gregor Golobič – Hon'ble Minister of Science and Technology, Republic of Slovenia on 11th April 2011 at Ljubljana, Slovenia*



*Mr. Chandrakant Salunkhe paid a courtesy call to H.E. Mr. Jayakar Jerome - Ambassador of India to the Republic of Slovenia at Ljubljana, Slovenia (In Picture Extreme Left) Mr. Surinder K Datta - First Secretary (CCI), Embassy of India in Republic of Slovenia*



*Mr. Chandrakant Salunkhe with (L to R) Mr. Matej Merljak – Chairman (Slovenia Region), India - Slovenia SME Development Council, Ms Marta Turk - Vice President, Chamber of Commerce and Industry of Slovenia and Mr Robert Sever – Director of Transport & Communication Association, Chamber of Commerce and Industry during interaction meeting at Ljubljana, Slovenia*

## GLIMPSES OF THE VISIT



*Mr. Chandrakant Salunkhe and Mr. Igor PLESTENJAK – CEO, JAPTI – Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments, signing MoU for Mutual Co-operation and Partnership on 11th April 2011.*



*Mr. Chandrakant Salunkhe and Mr. Marko Makovec – Foreign Policy Advisor to Prime Minister during the interaction meeting on 7th April 2011 at Ljubljana, Slovenia*



*Mr. Chandrakant Salunkhe and Mr. Andrej Poglajen – Assistant Secretary General Services for the Members, Chamber of Craft and Small Business of Slovenia*



*Mr. Chandrakant Salunkhe with (L to R) Mr. Rok Zurbi – Product Manager, Faculty of Electrical Engineering, University of Ljubljana, Mr. Matej Merljak, Chairman (Slovenia Region), India - Slovenia SME Development Council, Mr. Marko Papič – R & D Project Manager, Faculty of Electrical Engineering, University of Ljubljana*



*Interview of Mr. Chandrakant Salunkhe – President, Small & Medium Business Development Chamber of India (SME Chamber of India ) and India International Trade Centre (IITC-INDIA) on 24ur.com A News Channel in Slovenia*

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# TRADE RELATIONS BETWEEN INDIA AND SLOVENIA

Slovenia is South-central European country lying in the Julian Alps between Austria and Croatia. It is the first entrant in the European Union to adopt Euro (1 January 2007) and has now become a model of economic success and stability in the region. It has the highest per capita GDP in Central Europe, an excellent infrastructure, a well-educated workforce and a strategic location between the Balkans and Western Europe. The economy has the highest level of state control in the EU.

In March 2004, Slovenia became the first transition country to graduate from borrower status to donor partner at the World Bank. In December 2007, Slovenia was invited to begin the accession process for joining OECD. Despite its economic success, foreign direct investment in Slovenia has lagged behind the region average and taxes have remained relatively high. Following are certain facts about Slovenian Economy:

GDP (PPP basis): \$56.81 billion (2010 est); GDP (official exchange rate): \$46.44 billion; GDP per capita (PPP): \$28,400.

India has shared excellent trade relations with Slovenia. In 2009, the total bilateral trade in goods amounted to Euro 215.19 million with India enjoying a surplus of Euro 63.13 million. The following table indicates the total trade between two countries year wise and in Euro million:

## *Trade in goods between Slovenia and India year-wise – Euro Million*

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Exports</b>	18.8	24.6	17.2	17.8	31.9	36.29	49.03	76.03
<b>Imports</b>	33.9	25.0	42.3	47.6	52.8	69.61	87.92	139.16
<b>Total</b>	<b>52.7</b>	<b>49.6</b>	<b>59.5</b>	<b>65.4</b>	<b>84.7</b>	<b>95.90</b>	<b>136.95</b>	<b>215.19</b>
<b>Balance</b>	<b>-15.1</b>	<b>-0.4</b>	<b>-25.1</b>	<b>-29.8</b>	<b>-20.9</b>	<b>-33.32</b>	<b>-38.89</b>	<b>-63.13</b>

Source: Indian Embassy in Slovenia

The table above clearly indicates that during 2009 when many countries including India and Slovenia witnessed steep decline in their overall exports, Slovenia's exports to India rose sharply by 55% and India's own exports to Slovenia also expanded by 58%. However this trade figures are too small in trade basket of either countries and hence there lies a huge scope to increase it further and strengthen the trade relations between two countries.

## *Major items of imports from India into Slovenia*

Major items of imports from India to Slovenia that experienced growth during 2009 were medicaments, motor cars and spare parts, nucleic acids and their salts, Oil cakes and other solid residues, sulphonamides, aluminum ores and concentrates, coffee, tube and pipe fittings, uncoated paper and paper board, woven fabrics, new pneumatic tyres etc.



*Slovenia Chamber of Commerce Office Building*

# TRADE RELATIONS BETWEEN INDIA AND SLOVENIA

The table below gives the list of 10 major export items from Slovenia to India

HS CODE *	ITEMS	IN MILLION EUROS	
		2008	2009
2710	Petroleum products	0,016	47,200
3004	Pharmaceuticals	8,910	17,400
2933	Heterocyclic compounds with nitrogen hetero-atom[s] only	19,726	15,900
2934	Nucleic acids and their salts	10,925	12,130
8703	Motor cars and other motor vehicles	7,016	9,300
2304	Oilcake and other solid residues of soya bean-oil	0,399	4,800
2941	Antibiotics	3,231	2,307
2935	Sulphonamides	1,259	2,110
2922	Oxygen-function amino-compounds	2,088	1,945
2606	Aluminium ores and concentrates	0,161	1,253
2921	Amine-function compounds	0,846	0,883
0901	Coffee	0,670	0,880
6302	Bedlinen, table linen, toilet linen and kitchen linen	1,276	0,864
7222	Other bars and rods of stainless steel; angles, shapes and sections of stainless steel	1,002	0,818

\*Harmonized System Codes, Commodity Classification

Source: Statistical Office of Republic of Slovenia

## Major items of exports from Slovenia to India:

There has also been significant increase in Slovenia's export of the items like Hydraulic turbines, water wheels, Nucleic acids and their salts, Flat-rolled products of stainless steel, Air or vacuum pumps, Steam turbines, Electrical apparatus, Synthetic filament yarn, Paper and paper board, prepared binders for foundry moulds or cores, etc. to India.

Bilateral Trade figures for the year 2009 show healthy growth in both directions and indicate that India's exports to Slovenia increased by 58.6% (from Euro 87.92 m to Euro 139.16m) while Slovenia's exports to India also rose by almost 55% (from Euro 49.03m to Euro 76.03m) in comparison to the trade figures for the corresponding period in 2008.

The table below gives the list of 10 major export items from Slovenia to India

HS CODE *	ITEMS	IN MILLION EUROS	
		2008	2009
8410	Hydraulic turbines	4,60	25,10
2934	Nucleic acids and their salts	5,40	10,50
2941	Antibiotics	1,40	6,80
7219	Flat-rolled products of stainless steel	5,70	6,20
8414	Air or vacuum pumps	4,70	4,70
8406	Steam turbines	1,10	3,50
7228	Other bars and rods of alloy steel	1,20	2,10
3921	Plates, sheets, film, foil and strip, of plastics	1,80	1,80
8448	Auxiliary machinery	0,02	1,20
8536	Electrical apparatus for switching or protecting electrical circuits	0,60	1,10

\*Harmonized System Codes, Commodity Classification

Source: Statistical Office of Republic of Slovenia



# TRADE RELATIONS BETWEEN INDIA AND SLOVENIA

Figures 1 and 2 give an insight in to each country's import and export

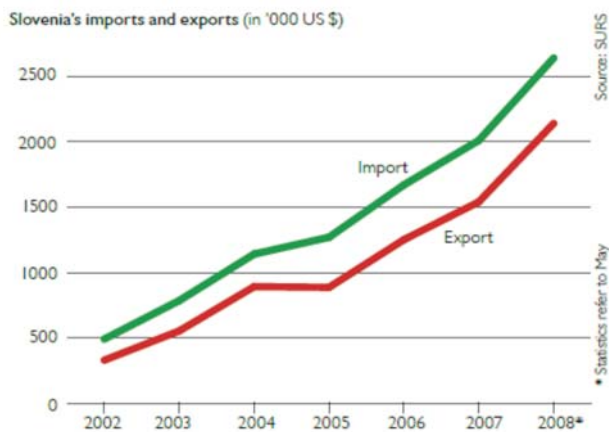


Figure 1

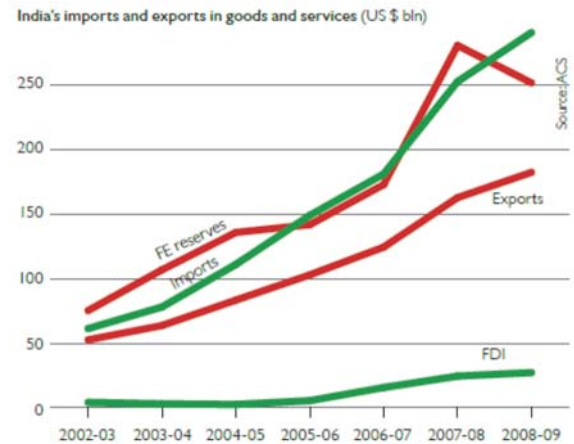


Figure 2

Both the countries have huge opportunities at hand to make most of each others competitive advantage. There lies a vast possibilities in infrastructure, information technology and automotive industry. Slovenian companies though they have some direct investment presence in India, and also a few Slovene investment funds are also participating in India's Equity market, these are however extremely limited in nature considering the potential. Similarly, though the Indian companies in the recent years have begun to venture out, they can take advantage of huge investment opportunities that Slovenia has to offer in above sectors.

Slovenian companies can benefit a lot by investing in India, both to cater to the expanding domestic market as well as using India as a competitive production base for exports to the third world countries. India's investment regime allows FDI up to 100% under Automatic Route in most of the sectors. Slovenian companies investing in India will also benefit from the Free-Trade Agreements that India has signed with various Asian Countries. These include:

- India-Sri Lanka FTA
- Agreement on SA Free Trade Agreement (SAFTA)
- India-Singapore CECA
- India-Nepal Treaty of Trade
- India-Bhutan Agreement on Trade and Commerce
- ASEAN - India Free Trade Agreement in Goods
- India - S. Korea Comprehensive Economic Partnership Agreement (CEPA)
- India - Japan Comprehensive Economic Partnership Agreement (CEPA)

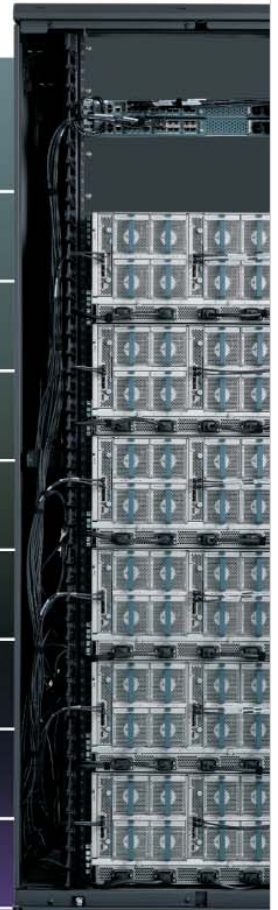
Opportunities of investment in two countries are enormous. However in order to use them to their fullest potential, it requires concrete steps from both the countries. A mutual cooperation in every field can go a long way in building a strong trade relations and further uplifting the trade and commerce between them. Last but not least to say, the FTA between EU and India will work wonder for these two countries if utilized perfectly.



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## Seminar on BUSINESS OPPORTUNITIES FOR SMEs IN CHINA and Interaction with H.E. MR. NIU QINGBAO - Consul General, Republic of China, Mumbai

Organised on 1st April 2011 | SME Chamber of India Conference Hall, Mumbai



*H.E. MR. NIU QINGBAO, Consul General, Republic of China addressing the delegates on “Business Opportunities for SMEs in China”*



*Mr. Chandrakant Salunkhe, President, SME Chamber of India with H.E. MR. NIU QINGBAO, Consul General, Republic of China*

With a view to provide an opportunity to Indian SME to understand about several business opportunities available in China, an interactive meeting with **H.E. MR. NIU QINGBAO**, Consul General, Republic of China, Mumbai was organized by SME Chamber of India on 1st April 2011. It was attended by many SMEs from manufacturing and service sectors.

The Consul General was very optimistic and highlighted that the two emerging Asian Economies of India and China contribute significantly to the world economy. By joining hands they can become a world economic super power called CHINDIA. His Excellency also elaborated the various business opportunities for exports, imports, investments and collaborations. Like India, Chinese SMEs too are very keen to develop business connection with their counterparts.

Answering the questions raised by the participants, he had assured that business visa to Indian businessmen

would be made available as early as possible.

Mr. Chandrakant Salunkhe explained in detail about the work culture, infrastructure facilities and the mindset of the Chinese SMEs and Government officials which are



favourable for the Indian SMEs. He also pointed out about the “**INDIA-CHINA BUSINESS DEVELOPMENT FORUM**” which was inaugurated by **Mr. Jayant Patil**, Hon'ble Minister for Finance and Planning in the presence of **H. E. Mr. Zhang Weiguo**, Consul General of China on 26th March 2007 at Hotel Hilton Towers, Mumbai

An Agreement of Co-Operation for enhancement bilateral trade and

investment between Indian and China was signed by **Ms. Sun Yan Yan** - Vice Chairman, Suzhou Industrial Park and **Mr. Chandrakant Salunkhe**, President, SME Chamber of India in the presence of **Mr. Wang Jinhua** - Chairman Suzhou Industrial Park and Dy Secy. of CPC Suzhou. A high level 13 members Chinese Delegation also interacted with the Indian businessmen during that occasion. Mr. Salunkhe assured the participants that the Forum will provide all necessary information, guidance and assistance to Indian SMEs to display their products in the permanent display centre at Suzhou, China as well as facilitate trade, investment and business collaborations between SMEs of India and China.



## WALLONIA – BELGIUM SEMINAR ON EXPLORING BUSINESS OPPORTUNITIES IN THE EUROPEAN MARKET

Organised on 27th April 2011 | Hotel InterContinental The Lalit, Mumbai

### ADDRESS BY DIGNITARIES



*Mr. Jean-Joel Schittecatte – Consul General of Belgium in Mumbai addressing the delegates on “Visa Problems, Tax Structure and General Market View”*



*Mr. Chandrakant Salunkhe – President, SME Chamber of India addressing the delegates on “Business & Export opportunities in Belgium & other European Countries”*



*Mr. Werner Van Der Cruyssen – Customs Attache, Federal Public Service Finance, Embassy of Belgium addressing the delegates “Queries relating to customs”*



*Mr. Peter Vandereet - Expert in Logistics, Wallonia – AWEX addressing the delegates on “The logistics structure in Wallonia”*



*This Seminar was well attended and many questions raised by the participants were answered by the panelists.*

## WELCOMING THE DIGNITARIES

*Mr. Chandrakant Salunkhe – President, Small & Medium Business Development Chamber of India welcoming the dignitaries*



**Mr. Jean-Joel Schittecatte**  
*Consul General of Belgium in Mumbai*



**Mr. Werner Van Der Cruyssen**  
*Customs Attache, Federal Public Service Finance, Embassy of Belgium*



**Mr. Jean-Guy SCHATTENS**  
*Trade & Investment Commissioner, Consulate General of Belgium*



**Mr. Peter Vandereet**  
*Expert in Logistics, Wallonia – AWEX*



*From (L to R) Mr. Jean-Guy SCHATTENS – Trade & Investment Commissioner, Consulate General of Belgium, Mr. Peter Vandereet – Expert in Logistics, Wallonia – AWEX, Mr. Chandrakant Salunkhe – President, SME Chamber of India, Mr. Jean-Joel Schittecatte – Consul General of Belgium in Mumbai and Mr. Werner Van Der Cruyssen – Customs Attache, Federal Public Service Finance, Embassy of Belgium during the Seminar*

## DELEGATES AT THE SEMINAR





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# BUSINESS OPPORTUNITIES

## ABOUT WALLONIA



Wallonia – Brussels is the French speaking part of Belgium, including Brussels Capital of Europe, in the immediate vicinity of Western Europe's major cities. The area is home to the main offices of the largest international institutions and headquarters of many multinationals.

Due to its proximity to Paris, Strasbourg, London, Amsterdam, The Hague, Luxembourg, Cologne, Frankfurt, Munich and Geneva, Wallonia-Brussels is directly linked to all decision making centres in Europe and acts as the most important distribution centre in northern Europe. Wallonia provides a direct link to the sea ports of Antwerp and Rotterdam.

### **Highlights**

- Belgium ranks at the 1st Place for logistic investments & distribution in Europe (2008 Cushman & Wakefield's survey)
- The most concentrated road network in the world
- 375 million consumers within 8 hours drive (65% of the European Market)
- 2 international and cargo airports
- Host of the EURO-CAREX platform (Cargo High Speed Train in Northern Europe)
- More than 4000 acres available now in Industrial and Research Parks

## ABOUT WALLONIA FOREIGN TRADE AND INVESTMENT AGENCY (AWEX)

AWEX is the one-stop shop for all prospective foreign investors wanting to locate in Wallonia. It helps foreign companies begin their activities successfully and integrate them into European Economic Networks.

Wallonia Foreign Trade and Investment Agency (AWEX) facilitates collaboration between the Science Parks of Wallonia (SPOW) and Indian technological firms. Numerous agreements have been negotiated between private partners and public bodies in networks all over India.

As part of the CROSS INCUBATION projects in India and Europe, AWEX offers Indian companies to test and launch on the European market.

### **Following major services are provided:**

- Investment Support
- Technological Support
- Export Support





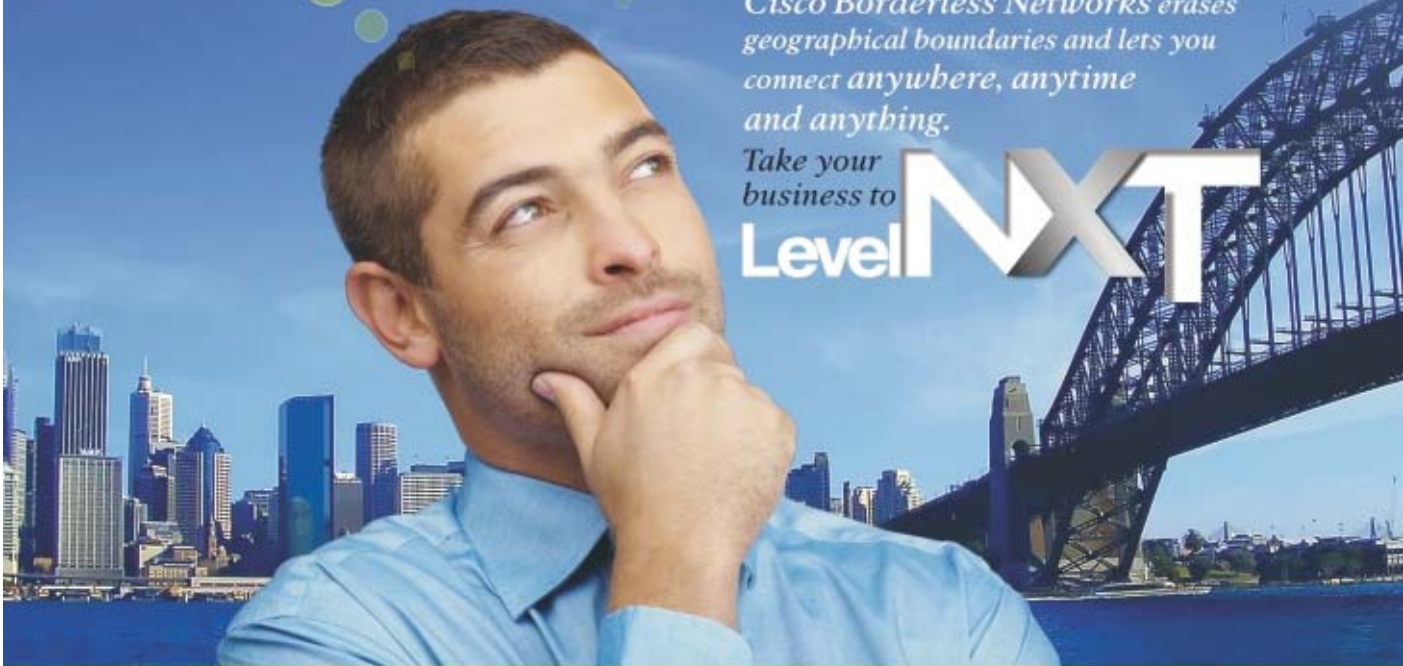
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**Mr. D. R. Dogra**

Managing Director & CEO, CARE Ratings

## ADVANTAGES OF CREDIT RATING FOR SMEs



The significance of the Small and Medium Enterprises (SMEs) to the Indian economy is well documented and well known. The SME sector presently contributes about 8% to India's GDP and this is expected to go up to 30% by 2019-20. Recognizing its importance, the policy makers have initiated many programmes for development and growth of the SME sector. Apart from enactment of the Micro, Small & Medium Enterprises Development (MSMED) Act in 2006, the government has also initiated various schemes such as the Credit Linked Capital Subsidy Scheme, Credit Guarantee Scheme, Cluster Development Program, Entrepreneurial & Management Development Programs among others to assist the development of MSMEs.

Some of the key impediments to the growth of the Indian SME sector include poor access to funding, inefficient marketing function, slow technology upgradation, shortage of technical & managerial manpower and ineffective organizational structure. Amongst these, poor access to funding, especially access to risk capital, has been the most severe constraint for the sector. Due to its high risk perception, historically high default rates, unstructured information flow and low availability of collateral, banks and financial institutions have found it difficult to lend to SMEs.

Credit rating for the SME sector goes a long way in bridging the information gap existing between the sector and the capital providers viz. lenders & investors. For banks, financial institutions and other investors, the transaction & due diligence costs for taking an exposure to the SME sector are generally high relative to the large corporates primarily due to this information asymmetry.

Credit Rating is an objective and unbiased opinion on the creditworthiness of an entity by an independent agency. It is an opinion about the ability of the entity to

service its debt obligations in a timely manner and indicates probability of default on borrowings made by the entity. Credit Rating is arrived at after considering various financial & non-financial parameters, past credit history and future outlook of the entity's business as well as the industry in which the entity operates. The rating process is a fairly detailed exercise involving, among other things, analysis of financial information, visits to the customer's office and units, intensive discussion with the management and due diligence with statutory auditors, bankers, etc. It also involves an in-depth study of the industry itself.

Credit Rating Agencies (CRA) like CARE, offer various rating and grading services that benefit both SMEs and the investor community. A large number of SMEs have been assigned the Bank Loan Ratings after the full-fledged implementation of the Basel-II Capital Adequacy norms by the Reserve Bank of India (RBI) from April 2009. As per these norms, the risk weights assigned for loan exposures of banks for their capital adequacy calculation are linked to the credit ratings obtained by the borrowers from external CRAs like CARE.

Under Bank Loan Ratings, the SMEs are subject to relative assessment vis-a-vis large corporates and this largely constrains their ratings due to parameters like low level of capitalization, small size of operations, weak internal control systems, constitution of the entity as a partnership or proprietorship firms and positioning at the lower end of the industry value chain which would be dominated by large corporates having high degree of integration.

In order to address this issue, CARE has introduced SME Ratings which opines on the overall creditworthiness of an SME vis-a-vis other SMEs. This relative assessment within the SME universe gives a better idea about the creditworthiness of

SMEs and can be used by lenders and investors to distinguish between good and poor credits within the sector. The framework for assessment of credit risk for SME Ratings remains almost identical to the one used for bank loan ratings and rating of other debt market instruments. The SME Rating framework also includes a cluster approach for SMEs operating as a part of a recognized cluster. A robust risk assessment framework coupled with relative assessment within the SME universe is beneficial to the borrowers as well as lenders and investors.

Besides SME Ratings, CARE also provides the NSIC-CARE SSI Performance and Credit Rating which are applicable for units registered as SSIs. This rating assesses a SSI unit on dual parameters of Performance Capability and Financial Strength. Again the assessment is done relative to the SSI universe and comparison is made with similar units. A cluster approach, similar to the one used for SME Ratings, is also used in SSI ratings. Besides, the National Small Industries Corporation (NSIC) subsidizes 75% of the fees paid by entities going for SSI rating which is an added benefit.

As the financial markets evolve in India, the use of ratings is expected to increase and a large number of banks, financial institutions and other institutional investors will be relying on ratings as a key measure of credit risk of an entity. For SMEs, it makes a lot of sense to get themselves rated under the bank loan rating framework or SME & SSI ratings, as this will not only improve their visibility among the lending community but will also add credibility to their dealings with customers and suppliers. Since these ratings look to address the issue of information asymmetry between SMEs and the lenders, they will help the borrowers to get faster loan approvals and competitive pricing from lenders. Overall, the benefits of credit rating will far outweigh its cost in the long run.



**Mr. V.K Venkatachalam**

Secretary General, SME Chamber of India

## TECHNOLOGY TRANSFER FOR SMEs



The growth of a country is inextricably linked with its technological advancement. As the world becomes a global market, the expectations of the customers increases with the availability of new products and services.

With fierce competition, there is tremendous pressure on the margins and every enterprise tries to meet the customer's demands with innovative products and solutions with user friendly and value enhanced features at affordable prices. This has necessitated the adoption of appropriate technologies from across the world, modify it to suit the domestic conditions and improve them wherever necessary.

### What is Technology Transfer?

Technology Transfer is the assignment of technological intellectual property, developed and generated in one place, to another through legal means such as technology licensing or franchising.

### Why technology transfer is important to SME?

The Indian SMEs produce innovative and high quality products as per international standards and have gained sufficient knowledge and experience in mastering the technology in their respective fields. They are on the look out for the latest technology to improve the quality and minimize the cost of manufacturing.

This offers enormous opportunities for the overseas companies who wish to transfer their technologies to suit the requirements of the Indian companies. The opportunities exist in transfer of know-how in the areas of process, design, engineering, manufacturing, application and management.

It is significant to note that there are many Indian companies including SMEs who are willing to transfer their technologies and are ready to enter into joint venture collaborations with overseas partners.

### Benefits of Technology Adoption

By adopting suitable Technology, an enterprise can reap many benefits including:

- ☑ Increased Production of high quality products
- ☑ Enhanced productivity and Operational efficiency
- ☑ Opportunity to tap New markets
- ☑ Facilitate Expansion and diversification
- ☑ Savings on R&D

## TECHNOLOGY TRANSFER TYPES

### Licensing Agreement

This covers the transfer of certain rights from the Developer of a technology, process or know-how to the Recipient, in return for a fee or share of royalties.

### Technical Co-operation

Technical co-operation requires that both parties - play an active/creative role by providing their expertise or know-how in order to: 1) Adapt a technology, a product or a process for a new application or sector. 2) Develop a technology, a product or a process to meet new market needs



### Joint Venture

This type of agreement is the most complete. It is a strategic alliance between two or more parties to undertake economic activity together. The parties agree to create a new entity together, by both contributing equally and they then share the revenues, expenses and control of the enterprise. The venture can be for one specific project only, or a continuing business relationship. It implies the creation of a formalised link between companies, with the sharing of commercially sensitive information to allow the development of new technologies, processes or products.

### Commercial Agreement with Technical Assistance

This includes any commercial agreements between 2 parties accompanied by a transfer of know-how or expertise, which should consist of:

- Assistance with starting up an installation
- Advice/training on the use of a new process
- Technical Training accompanying the transfer of the new product/process

### Manufacturing Agreement (Subcontracting & Co-contracting)

These types of agreements are only valid if they involve some elements of the transfer of expertise, know-how, technology and/or training. The two valid types of agreements are:

**Subcontracting:** the Developer is the client and the recipient its subcontractor. The developer transfers some of its specific know-how to the subcontractor to enable him to perform the work required.

**Co-contracting:** the Contractor selects the subcontractor on the basis of specific skills, expertise and know-how it possesses to jointly develop new processes and technologies.

There are a many aspects to be taken care of while adopting a technology and entering into business collaborations. To name a few:

- A technology should be latest with a reasonable lifespan. In the case of IT Industry, the technologies become obsolete very soon resulting in dead stocks. Therefore it is important to understand the business trends, designs and the cost involved.
- Once a technology is adopted it has to be modified to suit the exact requirements of the user and the resultant products.
- The technicians of the company buying the technology should be adequately trained at the principal's works to understand the methodologies, working and the maintenance aspects.
- The cost of technology should not be prohibitive and the seller has to ensure the value for the money as well as the performance.
- There are also issues of intellectual property rights which need to be addressed while absorbing the technology.

## SME TECHNOLOGY DEVELOPMENT COUNCIL

SME Technology Development Council, a division of Small & Medium Business Development Chamber of India (SME Chamber of India) and India International Trade Centre (IITC-INDIA), assist the Indian SMEs to identify suitable partners in other countries either for import or export of technologies and to enter into required business alliances. The Council will provide useful information and guidance to overseas entrepreneurs on the above and also assist them in marketing activities in India, arrange business meetings, legal service and necessary follow up with concerned authorities to finalise deals.

**For Assistance Support Services you may contact: Mr. S. Maheshkumar - General Secretary, SME Chamber of India on +91-22-66770218/6667 4444 | Email: [smechamberofindia@vsnl.net](mailto:smechamberofindia@vsnl.net) or [iitcindia@vsnl.net](mailto:iitcindia@vsnl.net)**

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## INNOVATION STRATEGIES FOR SMEs



The entrepreneurial zeal of one person or a group of people trigger the birth of an enterprise. Once the business has been setup, it requires continuous monitoring and evolving strategies to keep it competitive and on the growth path. Most enterprises which have become successful and are growing today are those which have been able to do something different. The element that segregates them from the crowd is **Innovation**.

What does Innovation actually mean? The definition of the term in Roget's 21st century Thesaurus states the following: **'change, novelty addition, alteration, deviation, contraption, cutting-edge, introduction, latest thing, modernism, modernization, modification, mutation, newness, shift or variation'**.

It is important to understand the meaning of the term in order to endeavor for the same in business or evaluate companies on that basis. As is evident from the synonyms, Innovation is a concept which is not defined by magnitude or spread. It can be restricted to one section of the business or can be all pervasive. The main point in case of innovation in business is that it should provide an edge. It should impact the business positively by finally improving the bottom-line, facing competition and improving market share. Innovation should not be undertaken just for the sake of it but rather driven by some grounded reasoning and purpose. **(Many businesses fade out due to an innovation which is not viable and does not aid in the growth of the company)** This article aims to discuss the generic areas in which SMEs can Innovate and achieve that 'differentiating factor'.

SME sector is touted to be the 'backbone of our economy'. But the irony is that sector is not cared for in the same manner as one would protect their spine. The SME players have quite a few challenges that they need to overcome on a regular basis. A cursory glance at the Prime Minister's Task Force Report of January 2010 highlights that at a broader level Finance, Markets, Infrastructure, Manpower and Taxation are some of the most prominent challenges faced by SMEs in India. The obstacle in these areas hinders the growth of SMEs and compromises their competitiveness also turning many of them into sick businesses and forcing them to exit though even the legal wrangles in creating exit strategies is also oft discussed as a challenge. Hence, Innovative ideas to overcome these challenges will help SMEs create a positive difference for themselves and keep them viable. SMEs can thrive on Innovation.

### TYPES OF INNOVATION

Innovation can be broadly categorized as **Sustaining or Disruptive**. Sustained innovation takes place in the existing market on the basis of product improvement etc. Disruptive Innovation is a model by Clayton Christensen who further segregates it into two types – **new market by targeting non-consumers and low-end of an established market**.

The most recent example of Disruptive Innovation is that adopted by Micromax and the other low-cost handset companies in India which have eaten into the market of Nokia in India.

The space for Disruptive Innovation arises when the established players (may be due to complacency) starts focusing on higher end side of the market thus keeping the lower end unattended and prone to competitive attacks. Micromax has been one of the first companies to offer QWERTY phones at very low price making it affordable for the masses. Nokia could have also done that but they were slow and went on to lose crucial market share. The volume of the business comes from the lowpriced handsets.

The example of Nokia and Micromax is for representative purpose only and especially to understand the concept with a contemporary example. The lesson here is that even established companies can consider Disruptive Innovation on their own products thus creating an edge for themselves through rejuvenation and renewed learning.

## AREAS FOR INNOVATION

*'Never before in history has innovation offered promise of so much to so many in so short a time.'* – Bill Gates'

All functions in a business are related to each other like a system driven process. There is an input, a process and an output. The output of one process acts as an input to the next. Hence, innovation in one process will definitely impact the next one. Innovation can be restricted to a small area or spread over multiple areas to creating a suitable blend.

***Innovation in Marketing:*** Product innovation is one of the first and foremost spheres that are targeted by most companies. Changes can be in the form of modification in the core product or service by changing its quality, packaging type, design, comfortable post sales service (an oft overlooked area) thus increasing the overall value proposition.

Identification of new markets and or creation of a non-existent one are alternate avenues for Innovation. Companies have succeeded in expanding themselves by creating demand that was latent or targeting a particular niche segment thereby monopolizing their presence.

Creation of effective substitutes can eat into the existing market share of established products. Substitutes cannot be cheap copies rather products with additional attributes for differentiation.

In today's age of technological advancement, product promotion has taken a prime position. Advertisements, customer awareness drive, selling techniques are functions which can be subjected to Innovation thereby creating a difference from other competitors. For example: detergents might have same ingredients but how well a particular one is promoted can impact its market share.

Product pricing is one of the key differentiators. In a competitive market with multiple players, tweaking the product price is difficult but not impossible. Companies that have been able to achieve it by keeping their costs low and passing on the same to their customers have gained. Innovative approach lies in how costing is done and the competitive product price is arrived at. Average Indians are not very quality conscious. Price of the product still makes a lot of difference while making any purchasing decision. A desired brand name with an economical pricing can lead to conversion of buyers.

***Innovation in Finance:*** The most successful form of innovation in Finance would be to create a source for low-cost funds. Companies go in for joint ventures or collaboration with partners who have some kind of harmony. Many enterprises which have a very promising product/ service or concept these days look for venture capitalists sitting on large reserve of funds to fund the project.

Financial restructuring is another weapon in the arsenal of financial managers to create a position of leverage. Sometimes the accounting procedures are modified to take advantage.

Companies also form country-wise arms of the mother company in order to comply with local rules and regulations as well as take advantage of funding and taxation norms.

Monitoring the growth of the company through specialized management information system, cost-center accounting, strategic business units etc have also contributed in improving the financial health of companies.

Costing and setting up of specific payment terms for customers based on their volume of business etc can also improve the bottom-line. Breaking down the components of cost can be a very tedious and complicated process but help in identifying individual areas for improvement.

***Innovation in Operation:*** The term operation includes production planning, procurement, material handling, distribution logistics and the production process in specific. Companies are known to have gone for forward and backward integration for sound production planning and just-in-time availability of material in order to avoid inventory build-up and blockage of funds. Procurement function's efficiency impacts the cost and quality of the product. Innovation in utilization of machinery and labor during production can be a source for getting an edge over competitors by managing the throughput. Goldratt's book titled 'The Goal' focuses on this particular function of a business.

Certain companies open factories or back offices in areas which provide locational advantage like proximity to supplier or buyer, better infrastructure, natural resources, cheaper real-estate, benefits from the government for establishing business in a backward area, abundant labor, first mover advantage etc. Choice of technology, machinery, information technology tools, levels of automation are very important in business today. Technology transfer through JVs and collaboration are also important components that can drive innovation in operations. Sales through innovative distribution channels and channel partner margins can drive up revenue. It also helps in making the product/ service available to more number of prospective buyers. Optimum resource management and innovative measures in doing so is the crux in this segment.

***Innovation in Human Resource Management:*** Labor and skilled manpower is very important for day-to-day functioning of business. The problem is more about retention rather than recruitment. This area also provides ample scope for Innovation to be one up on competitors. Repetitive themes like salary structure, other perks, accommodation, transportation, ESOP, medical benefits, day-care, children's education etc. have been used in various permutations and combination to lure employees. Companies are focusing on further education and skill development through training for their employees. In addition to this employee empowerment, freedom to perform, succession planning, transparency in appraisal, goal congruence, job fit, retention policies are going to be important in future. Labor management in factories and win-win strategies with labor unions (wherever they exist) are also crucial for success. How companies establish a clean image and not that of an exploiter and opportunist will create lasting impact.

### SHARING OF IDEAS

What is innovation really? It is an idea of doing things differently. Innovative ideas are not inherited but nurtured through mutual discussion, brain storming, or through deep introspection. In an organization, the implementation of Kaizen in its true sense can give rise to innovation. Employees, employers, stakeholders all should be involved in this practice. It will help in utilizing the entire human resource of the organization because an idea does not say where it will pop out from. Companies can setup groups of people to evaluate these suggestions of change or improvement and then apply the ones that fit with the company's goal and objectives. Even if one idea clicks out of 'n' ideas that are shared, it is worth the effort.

### INNOVATION IS NOT THE END, IT IS THE BEGINNING

'Innovation is not the product of logical thought, although the result is tied to logical structure' – Albert Einstein. Innovation is an amalgamation of art and science. It has to be ingenious, out of the box but also financially and legally viable option. There is no fixed formula available for companies. Each company has its own specific strengths and weakness, opportunities and threats. The innovation strategies cannot happen in isolation to a company's SWOT. It has to be embedded in the business so that it creates organic growth. Simply innovating something is also not beneficial. An innovation will not generate value unless it is adopted by those for whom it is intended. Not everyone is open to innovation. Everett Rogers identified various categories of innovation adopters ranging from innovators, early adopters, early majority, late majority and laggards. Using this as the basis, innovators should aim for the early adopters to slowly create a majority and then nudge the laggards in adopting it.

Another important concern in case of innovation is to be able to protect it for the business. Product or process innovation can be protected through patents. Indians have been slow in this regard but nonetheless, it is not too late. Many innovative ideas are stolen and patented by others earning them royalty. Other company specific innovations should be designed in such a fashion that outright replication becomes difficult for others. If a software company comes up with some innovation in HR and then the same is copied by others then where will be the differentiation? The cutting edge!

Many small companies have grown into large entities due to innovation over the years. GE's Jack Welch adopted the strategy of being number one or two in each field where they had interests or simply withdraw. This innovative idea helped them in allocating their resources into businesses which generated more revenue for them and entrenched their position. They also had the foresight to enter into businesses which were futuristic in nature like medical equipments. The strongest companies are those which come out with innovative products and thus become market leaders with first mover advantage. But product innovation requires extensive R&D expenditure and time and may or may not give desired results. That should not dampen the innovative streak in SMEs. Innovation in other areas of business can equally create position of advantage for companies which are not strong in product innovation.

*The famous Peter Drucker had said 'Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.'*



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**Mr. Jagat Shah**

Founder & Chief Mentor – Cluster Pulse

**STRATEGIC INITIATIVES FOR COMPETITIVE MARKET**

***The practical concept of E-Readiness Centre (ERC) for SMEs***

Over the last few decades, ICT has taken on a significant support role for business activities. In most cases, it has become a key enabler for SME competitiveness, to achieve a better quality of service, lower processing costs or even better support for MIS. In some cases, ICT has been at the heart of the business model, offering new ways of doing business or even being incorporated into the very nature of the business itself. The pace at which technology is evolving is accelerating and today's solutions could easily be obsolete tomorrow. Making the right choices and investing in the right technologies, in the proper domains,

requires a good understanding of the opportunities offered. On the other side, the economic environment has changed over recent years and companies have adopted different strategies to further develop or maintain their market share or even to survive.

There is empirical evidence that although we have observed that certain combinations of business and ICT strategy achieve better scores, more importantly, it is how ICT investment projects are defined and the maturity of the ICT service-delivery that will influence the ultimate score. The survey

**It has been observed that SME ICT adoption is low due to 3 reasons:**

**Penetration**

In a few clusters availability of electricity is still erratic, leading to high downtime of computers. This leads to non adoption of ICT by SME. This is being taken care of by the infrastructure intervention of central Government, state Government and private sector through various schemes. Broadband connectivity is also being pursued by Internet Service providers at national level. An SPV can also play a role in this direction.

**Adoption**

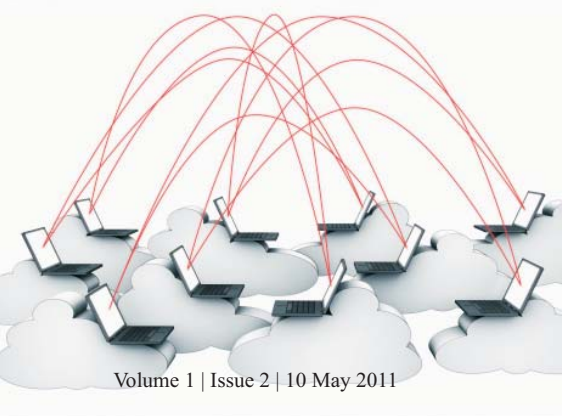
SME assume that the cost of ICT implementation is high. There is an urgent need to prove to them that the ICT solutions are really affordable. Besides, web based ERP comes at a very low monthly subscription cost under SAAS model (software as a service). This can be practically demonstrated by E readiness Centre ( ERC ), local ICT firms & BDS providers. Education is most important for SME to use e -business services. Therefore, the ERC may address this with a series of seminars in collaboration with trade associations, ICT firms & BDS providers with the proposed SPV acting as a mentor.

**Value of using ICT**

By demonstrating success stories of implementation in areas of productivity, differentiation and innovation it can be proved to the MSME that ICT has a practical benefit leading to higher profitability and competitiveness. Below mentioned 2 tables would prove the value of ICT adoption in a better way.



confirms that CEOs who want to provide their business communities with greater value-added services need both to gain a better understanding of the directions the business is taking and deploy better management processes within their ICT departments. In this article, I have analyzed the various inter-plays between SME Business and ICT.



The E readiness Centre ( ERC ) can take up following activities :

**IT Value Workshops:** ERC may drive awareness sessions in various areas including (a) Paperless export documentation (b) Enterprise Resource Planning (c) Supply Chain Management (d) Web applications and Software-as-a-Service (e) Make-over pilot applications in the value chain.

**Knowledge Networks:** ERC may extend its assistance in the development of various web-based information bases such as portals, web sites, etc for micro, small and medium enterprises which will have a public and private interfaces for the SMEs in the cluster. These may be intended towards better market access and global presence for the SME community.

**Skill Enhancement:** ERC may provide assistance in the creation of content and e-learning modules. These web-based offerings may be offered to enhance knowledge exchange between students and the industrial workforce. ERC may provide ICT based training material to be distributed to industrial and technical institutions in the cluster.

**IT Ecosystem Readiness:** ERC may provide e-readiness programs and enhance solution delivery capability for local system integrators, resellers and independent solution vendors.

**E-Readiness Center:** Any Local Industrial association and the technology partner, may wish to set up an E-Readiness Center for delivery of various activities as mentioned above. Ministry of MSMEs ICT scheme contributes for the software, hardware and training of the technical resources that can be used in the E-Readiness Center for the delivery of various activities as mentioned above. SPV may provide the infrastructure for an E-readiness Center which includes premises and training delivery facilities and shall operate it full-time after its launch : [www.smilesforsme.com](http://www.smilesforsme.com)

ERC may create a platform to match make supply & demand in a cluster amongst ICT firms / BDS providers and SME. On the part of ICT firms and BDS providers, ERC may train them on SME mindset and expectations. Training may also be required in skills up-gradation of ICT firms and BDS providers. Business models may be presented to ICT firms & BDS providers and the project platform can be used to indirectly position their services to SME through business seminars. On part of demand creation of SME, the project has already identified the pain points and tabulated in a training format. Training may be offered by ICT firms & BDS providers to SME on these pain points. The marketing BDS providers may help in promoting the business of SME. Web based solutions which are cheaper and affordable may be positioned as a business solution.

The practical solutions which can be delivered to SME from the ERC are :

**Export Market Information and Joint Venture / Technology Transfer Leads:** Most of the SMEs are struggling with the market information for their product to start export effort. E-readiness Centre (ERC) can scan the overseas market for any given product including buyer's and investor's contact details and can provide guidance on how to connect with them in that country. A four page report can be delivered to SMEs for next steps. This can be done by empanelled BDS Provider.

**Video Conference with overseas buyers / investors:** E-Readiness Centre (ERC) can support SMEs not only in searching the overseas buyers but can also arrange online video conference for the SMEs with the prospective buyers for the product promotion.

**Train SMEs and make the second in command of SMEs E-ready:** Most of the SMEs are facing trouble in retaining trained manpower. High turnaround of IT manpower de-motivates SMEs in adopting IT solutions for growth. To avoid such a scenario E-Readiness Centre (ERC) can offer training support to the owner as well as second in command of the company and make them E-Ready so they can train their staff in IT further down the line.

**Online solutions to any of SME queries:** E-Readiness Centre (ERC) can offer online solutions and advisory to all kind of queries related to SME business be it in production, finance, HR, marketing, exports, R&D, IPR, legal & compliance, wastage reduction, innovations, environ friendliness issues, carbon credits etc. This may be the quickest way to solve the problems and no physical interaction is required for the same as solutions and advise will be delivered online. This can be done by empaneled BDS Provider.

**Counseling SMEs for adoption of OPTIMUM ICT solutions:** From ERC's experience of ICT promotion in SMEs, one of the key elements which restrict SMEs in adopting ICT is the lack of awareness of OPTIMUM ICT solution which can fit to their requirement. E-Readiness Centre (ERC) can first understand the requirement of the SMEs and accordingly suggest the solution. E-Readiness Centre (ERC) would not sell any solutions, it will only advise. The choice of purchase is left to SMEs.

**Test it:** One of the unique services which ERC can recommend to SMEs is to adopt the ICT solution on "Test it" model which will give enough confidence to the SMEs in adopting a particular solution recommended by E-Readiness Centre (ERC).

**Common Design Centre:** E-Readiness Centre (ERC) can offer facility to the SMEs in developing product / component / packaging design for which an individual firm may not be able to afford software cost (CAD/CAM) and the cost of designer

**Disseminate Govt. Schemes for SMEs:** E-readiness Centre (ERC) can disseminate all the Central / State Govt. Schemes which applies to SMEs. It can also connect SMEs to international development agency projects running in India which are related to SMEs.

**India needs 100 such E readiness centres (ERC) across the country in industry clusters.**



Mr. Ashwin Merchant

SME Business Development & Marketing Specialist

## VISIBILITY MARKETING FOR SME VALUE CREATION

All these years, SMEs have ignored the value of marketing due to ignorance of marketing in the business development. There was a myth that marketing means advertising in mass media like newspapers, magazines, ads on television, promotional events etc. Lately, SMEs started linking marketing to sending emails, mobile SMS, tele-calling and alike. Many have taken this route without fundamentally looking to marketing strategy and methodology due to simple reason “low cost” and easy to handle.

In short, SME owners have misunderstood and ignored strategic marketing as important business function, leave aside branding. With increasing competition due to globalization, survival and growth challenges slowly started surfacing on business and profits. Many visionary SME owners and management have started taking interest in systematic marketing for business development.

They have also realised that to grow in today's competitive environment, one's own savings and family funds alone are not sufficient and external finance is a must. Without **“Effectively presenting the company”** to lenders, such as banks, private investors, equity participants, professional fund managers, public investors - it is practically impossible to obtain necessary funds. This has indirectly pressurised SMEs to invest into marketing – SME owners should know that ignoring marketing strategy is going to be a big risk in future and marketing should no more be taken as an expense component in financial statements.

SMEs lack from the fundamentals in organization management. Most of them have never defined the Vision & Mission statements for the company. Further to this SME lack a systematic business development plan and road map for marketing.

Many of forward looking and successful SMEs may like to reap the benefit of the dedicated SME exchanges from day one. But, often majority of them lack VALUE CREATION of their company i.e. “Outside-In” business model. SME promoters must start looking into this issue, before it's too late to think about during IPO to raise fund for growth. SMEs must pay attention to updating systems of customer & vendor management, enhance support from associates, channel development, relationships with the employees and the goodwill with the bankers to name a few. In short, to bring value from everything they do in business.

The value gap can often be traced back to cross-functional dysfunction, a term that basically means departments or divisions within the company are not working together — may be even worse, in conflict with each other. For example, R&D creates new products that have little connection with the customer's real problems. Marketing generates leads but is not held accountable for the results. Salespeople merely "present" products and solutions instead of seeking out relevant information on what the customer's real requirements are. When various departments do not work in sync with each other, a company's value is diluted.

There can be an emerging need for **(1) Re-Think (2) Re-Act (3) Re-Define (4) Re-Structure or Re-Engineer and (5) Re-Orient business model.** Age old model of “Inside-Out” i.e. management to market, is absolutely outdated for futuristic growth. There is an emerging “need to change”. Now is the right time to study and modify the system across the length and breadth of the company.

As company grows, it is very important to receive regular advisory and assistance from the experienced marketing experts to guide on matters leading to growth and value creation matters over a 3 year road map to achieve results. This will help the entrepreneurs with more time to pursue on other business and legal matters.

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**Ashwin Merchant**

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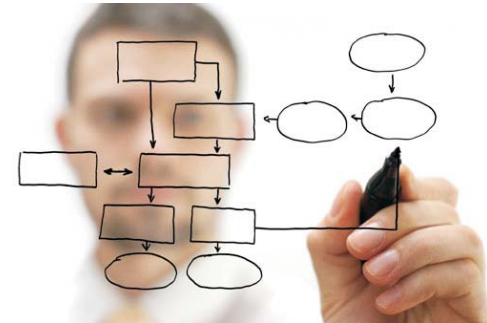
## Mr. Bhairav Kothari

Founder & MD, SuperCFO Services Pvt. Ltd.

### Graduating from a Mom & Pop Shop to a World-Class Professional Enterprise By Implementing Systems, Policies And Processes.

Often I come across the following phrases when I meet Entrepreneurs:

- I want to become a very Large Company
- I want to become a Public Company in 3-5 years
- I want to sell my company for a great valuation and then retire on a beach
- I want to professionalize my family business
- I want to go global and make acquisitions for inorganic growth
- I want to be the most successful entrepreneur, and receive appropriate recognition
- I ask them one question: Who runs your company; people or processes?



And then with lots of ifs and buts, they give me justifications as to why they are still dependent on people and not processes.

While many companies implement ISO and other operational systems and processes, accounting often gets neglected; which actually could deliver enormous results, with proper systems, policies and processes. Moreover, having strong finance controls and procedures increases the confidence of auditor and the board as well as helps the company in meeting with the strictest of compliance requirements. A lot of companies embark upon fund raising, including through IPOs, and when the time comes to submit regulatory and investor reports, they struggle putting together the required reporting pack. Also, when there is a change in job roles or with attrition, there is significant loss of business process knowledge in the absence of adequate documentation.

A simple solution to this is to have a detailed Accounting Policies and Procedures Manual. This document acts as a Bible for the Finance & Accounting team. The document would cover everything from team structures, job roles, chart of accounts, approval process, reporting requirements, policies, etc. It involves a one-time effort in putting this together, and thereafter it needs incremental updates to keep it alive. Having one, not only helps the company to function smoothly but helps the finance & accounting divisions to operate seamlessly as one team, across territories.

#### *Some of the key areas that one should look for in an Accounts Manual are*

- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Introduction/ Foreword              | <input checked="" type="checkbox"/> Cash & Bank                 | <input checked="" type="checkbox"/> Book Closure                             |
| <input checked="" type="checkbox"/> Organization Structure              | <input checked="" type="checkbox"/> Accounts Payable            | <input checked="" type="checkbox"/> Operating Plans / Budgeting              |
| <input checked="" type="checkbox"/> Chart of Accounts                   | <input checked="" type="checkbox"/> Accounts Receivable         | <input checked="" type="checkbox"/> Performance Monitoring                   |
| <input checked="" type="checkbox"/> Authorisation Matrix                | <input checked="" type="checkbox"/> Asset Accounting            | <input checked="" type="checkbox"/> Internal Controls                        |
| <input checked="" type="checkbox"/> Primary Accounting Policies         | <input checked="" type="checkbox"/> Inventory Control           | <input checked="" type="checkbox"/> Audits                                   |
| <input checked="" type="checkbox"/> Supplementary Policies & Procedures | <input checked="" type="checkbox"/> Payroll Processing          | <input checked="" type="checkbox"/> General Ledger – Coding, Vouching, etc.  |
| <input checked="" type="checkbox"/> Accounting Procedures               | <input checked="" type="checkbox"/> Branch and Plant Accounting | <input checked="" type="checkbox"/> Accounting Forms, Formats and Checklists |

It is to be noted that preparing an exhaustive document like this, is a time consuming affair and definitely needs an experienced hand to help in preparing a good first draft. The quality of the manual can be judged by the depth of its coverage. As an entrepreneur you need to engage a good quality firm that can advise you with high quality Standard Operating Procedures (“SOPs”), while keeping the costs low. SME Chamber of India continuously works with many such firms and can assist you in identifying one for your individual needs.

Please remember, in order to achieve exceptional sustainable growth and to build a Professional Enterprise, as an Entrepreneur you need to drive the company away from being People dependent to Process dependent mode.

**Author Note:** This article has been written by Bhairav Kothari who is the Founder & MD of SuperCFO Services Pvt. Ltd. (“SuperCFO”), a leading provider of Virtual, Interim and Full Time CFO Services. To empower SMEs, SuperCFO has built an Accounting Policies, Systems and Procedures Manual, that has a compilation of different forms and checklists which can be purchased in editable Word / Excel format allowing users to customize for their specific use. As a reader of this magazine, SuperCFO, in association with SME Chamber of India, is pleased to provide a special discount, for a limited period. For further information, please write to manuals@supercfo.com.



**Mr. Chaitanya Shah**

CEO, CKPP Associates

## IMPORTANCE OF CFOs AND FINANCIAL ADVISORY SERVICES



India has made rapid economic strides since the process of Liberalization and Globalization began in early 90s'. This has also exposed the economic and business environment to some unprecedented changes. This has also been coupled with explosive growth in Information Technology and Communications. This has resulted into the whole world becoming one common market. As a result the business environment has suddenly become very competitive, full of uncertainties and complexities. The process is irreversible and is gathering further momentum day-by-day.

As compared to protected - guided and guarded - economy, this requires paradigm shift and totally different set of capabilities -knowledge, skills, tools and techniques for survival and growth. To cope with the situation, the industry and business units will have to be quick, adaptive and flexible to respond and to adjust to these changes on an ongoing basis.



The Indian entrepreneurs have enormous talents and capabilities, which is comparable to the best anywhere in the world. Only thing is, that, now they need to quickly adapt to the new rules of the competitive environment and master the same. It is a transitory phase.

The large organizations have their own resources and adjustment process to align themselves to these rapidly changing environment.

The impact has been felt more by the Small and Medium Enterprises (SMEs), they have been zapped by these traumatic changes and are now in the process of coming to terms with the economic reality. In the past, because of the protected economy, it was cost+ pricing and hence managing the business was much more easier, in fact, in many a cases the inefficiency was getting rewarded due to cost+ pricing. The organizations were primarily run on PRO and the personal charisma of the CEOs. The profits were assured and hence the caliber and exposure of the organization in general and of finance professionals in particular were limited.

Now, with the free entry and exit of the players in the market and no import barriers, there is a tremendous pressure on the bottomline. These have been further aggravated by increased uncertainties and complexities. As a result, there is increased pressure on CEOs time. At the same time, with the increased number of variables, there is also need for specialized knowledge,

which requires continuous updating, for taking effective business decisions.

In order to cope with the changed situation, there is an urgent need to align product, people and processes, these will provide unity of direction and focused approach. One of the most important steps to be taken by SMEs is to have structured and formalized Business / Financial Plan. This should be supported by strong MIS and related financial discipline and monitoring / control systems. Based on the survey conducted by Price Waterhouse Coopers (PwC), internationally, it is an excepted fact that Business Enterprises with written business plans have performed better than those who do not have it.

*In the context of the above, the role of the Corporate Finance Function (CFF) and that of the Chief Finance Officer (CFO) have to undergo dramatic changes -from that of an "Accounting" it will have to be "Strategic Financial Planning and Decision Support System" and from an "Accountant" to that of a "Catalyst", "Facilitator" and an "Integrator" at different levels of the corporate pyramid structure.*

The CFO will have to take a "holistic" view instead of a "piecemeal" view and align the same with the overall business strategy, objectives and goals.

The CFO has to be a business partner of the CEO. He should be able to provide him with all critical business information so that CEO can concentrate on core business activities. CFO should be able to effectively guard and communicate the financial health to its stakeholders. He must have an in-depth understanding of the relevant business issues and industry. He should also be able to think like a businessman and an entrepreneur.

With the increased awareness among investors, financiers and all stakeholders, there is an increased emphasis on improving the overall governance standards. There is increased demand for internationalization and transparency in financial reporting. Regulatory provisions in this respect are already being incorporated like, Corporate Governance, IFRS, accounting standards - segment reporting, interim financial reporting, consolidation of group accounts, etc. The large corporates have the same in place. It is the SMEs who need it most - since all

these are driving towards improved efficiency through better planning, greater financial discipline and decision support systems.

To deliver these requirements, SMEs need to have CFOs with adequate knowledge, experience and skills, which can act as a "catalyst" to conceptualize and lay down broad framework and implement the required systems. Simultaneously, he should also act as a "facilitator" and "integrator" between various functional heads and the CEO. This will relieve the CEOs of non-core activities and help them to concentrate on more important business issues for increasing top-line and to protect the bottom-line, based on sound information.

The limitation is that many of the SMEs may not be either able to afford them or in many cases they even do not require them on a full time basis. Even if they afford they will find it difficult to retain them since they may not be in a position to offer the challenging work

environment, necessary for professional exposure and learning on an on going basis.

Under the circumstances, it would make tremendous commercial sense to outsource the "FINANCIAL ADVISORY SERVICES". Besides, being cost effective it would also provide the organization with required expertise and help the CEOs to utilize their time in a much more effective manner. Internationally, it is a well-accepted practice.

The relationship will depend on case-to-case basis and can always be structured based on the specific requirements of each case.

Hence, it is high time that Indian SMEs shade their image of "satisfied underperformers" take the bull - of competition - by the horn and start converting threats to opportunities for growth and prosperity not only for them but for all their stakeholders.

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**For Assistance Support Services you may contact: Mr. S. Maheshkumar - General Secretary, SME Chamber of India on +91-22-66770218 / 6667 4444 | Email: [smechamberofindia@vsnl.net](mailto:smechamberofindia@vsnl.net) or [iitcindia@vsnl.net](mailto:iitcindia@vsnl.net)**

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**Ms. Sonali Tipre**

Founder & MD, Marginsview

## **COST & STRATEGIC MANAGEMENT FOR GROWTH**



If you are a corporate leader, you sure have been spending a lot of time lately thinking about costs. After the aftermath of the global economic crisis of 2008-09, the pressure to cut costs – whether driven by cash flows, shareholders, uncertainty, or investment needs – has been extraordinary. Many businesses are struggling to find a proven method to build sustainable growth.

The real task for any leader is to ensure organizational growth which is spiraled with proportionately lower costs of operations. However, its easier said than done! I believe that the key to doing this is to “manage costs strategically”.

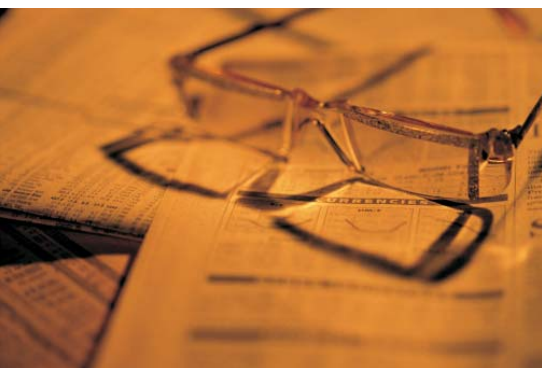
Over the years where we have witnessed huge cost migration options being exploited through outsourcing models of business, there is no doubt that strategically managing costs is the only way to gain competitive advantage.

Many a leaders confuse between controlling costs and strategically managing costs. Strategic Cost Management Systems help organizations understand cost structures and behavior. Therefore, they can make decisions that will enable organizations to achieve or exploit strategic competitive advantage.

They help the management orient their actions and analysis to identifying what processes or business models are no longer strategically relevant and which are essential to keep. In this whole process, company might lose some product lines and activities, and perhaps some of its employees and customers. But however, by these measures, the leader gives an opportunity to help the company grow stronger in process.

Strategic Cost Management seeks to develop the competitive position in which the firm's competitive advantage provides it a continuous success.

### ***Capabilities – The heart of Strategic Cost Management Analysis***



When they hear the word capabilities, many organizations think of them as intangible assets: employees' skill sets or the quality of work done by a corporate function such as research and development or supply chain management. No doubt Capabilities are intangible - But they are the defining strengths that every organization must have to help it compete.

Consider the essential two or three capabilities exhibited by the world's most successful companies. What makes Google, or Frito- Lay or Nokia good companies? The answer for this is difficult to discern, but as you start listing down the successful points of each companies you will notice that each of those success factors are capabilities of the company.

For example, In the case of Frito-Lay (a subsidiary of PepsiCo Inc.), one key capability is the ability to serve the needs of small stores up and down city streets and rural roads on several continents. Similarly, Google Inc.'s capabilities include not just maintaining and improving the company's search engine, but continual innovation of Web-based applications that will attract consumers and the ability to translate those consumer populations into advertising revenue.



Capabilities are thus *“the interconnected people, knowledge, systems, tools, and processes that establish a company's right to win in a given industry or business”*. The killing zeal to win, in turn, is a clear path to sustained profitability, higher market share, or both, which needs a support of critical set of capabilities that will make a difference in that market.

It might seem that companies in the same sectors would need the same capabilities to win in the market, but that is rarely the case. Apple and Dell both compete in the computer market, but their capability sets are completely different. Apple's success depends on continued product and service innovation combined with a deep understanding of the way in which people interact with technology; Dell's success depends on rapid delivery, low-priced customization, and high-quality customer service.

These examples make clear that it's not just the dynamics of a market, but how a particular company chooses to play in that market, that determines the required capabilities.

I believe that the right way to think about costs – whether your company is under pressure now or marshalling resources for the future – is to look at capabilities you need the most and to invest only in those that will give you a clear advantage in reaching the customers you care about the most. This approach involves a new way of thinking about capabilities. They need to be seen for what they are: a defining factor in productivity, a critical element of success, and a major factor in determining strategy, besides giving it the ability to generate revenues in excess of costs.

This may make one consider that managing costs strategically is a tool that only large companies should use, and probably that is the reason, it is not very well practiced in the small and medium sector. Small and medium enterprises, which are instrumental or rather the pillars of development of every economy, need to develop their own capabilities through proper usage of strategic cost management toolkits.

To gain sustainable growth, SME's should achieve an edge over other firms either through cost leadership or differentiation through innovation. This can be only achieved through strategically managing costs.

This may make one consider that managing costs strategically is a tool that only large companies should use, and probably that is the reason, it is not very well practiced in the small and medium sector.

Small and medium enterprises, which are instrumental or rather the pillars of development of every economy, need to develop their own capabilities through proper usage of strategic cost management toolkits.

Our experiences with SMEs states that application of Strategic Cost Management Techniques gives SME's the required robustness to develop capabilities for sustainable growth. The benefits of adopting Strategic Orientation to Costs are many, highlighting a few - improvement in business processes, identifying profitable products and designing sustainable business models.



*The author, Sonali Tipre is the Founder & CEO of a financial management consulting & training firm Margin'sview. The firm provides solutions which help organizations build financial robustness in their operations to improve their margins. She has conducted variety of training programmes for the corporates. Through Margin'sview, she and her team have consulted many SME & larger growing organizations in areas of financial management & operational strategizing & its implementation.*

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