SME Sector's share in total exports all set to rise

The share of small and medium enterprises (SME) in the country's total exports is all set to grow with the Central Government planning a series of initiatives to boost the same

Amit Shanbaug

In the written reply in Rajya Sabha on the 11th of March, Nirmala Sitharaman, Minister of State for Commerce and Industry (Independent Charge) specified that the government is taking measures to promote exports by small and medium (SME) Pharmaceutical manufacturers.

"For technology up-gradation to Micro and Small Enterprises in the pharma sector, Ministry of Micro, Small & Medium Enterprises (MSME) is running Credit Linked Capital Subsidy Scheme (CLCSS) under which Micro and Small Enterprises are entitled to take loan up to ₹ 1 crore with 15 per cent subsidy," She said in a written reply to the Rajya Sabha.

The minister added that other initiatives include providing financial assistance through export promotion councils, facilitating trade delegation meets and organizing international exhibitions among others.

The Indian economy is expected to grow by over eight per cent per annum until 2020. It can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032. However Industry experts believe this target would be difficult to achieve without the active participation of the SME sector.

Chandrakant Salunkhe, president of the SME Chamber of India explains that at present the SMEs who are involved directly or indirectly in the pharmaceutical sector are facing tough times. "The entrepreneurs who are involved in the exports of pharma equipments face direct competition from countries like China, Korea and Japan. So the step by the government is indeed a welcome one," he adds.

According to Salunkhe, SME sector contributes around 15 to 16 per cent to India's GDP and is expected to touch a figure of 22 percent in the next 3 years.

"However a lot is expected and much needs to be done if the figure needs to be achieved. Nearly 60 per cent of the SMEs in India fall in the unorganized sector. Once this untapped potential becomes the source for growth of these units, the size of Indian GDP can surpass that of developed nations," he informs.

Salunkhe explains that the SME sector at times fails on achieving its full potential due to lack of direction. "A small entrepreneur faces several difficulties including access to finance to expand their operation. In addition, the loans that they get are not on preferential rates but are available around 15-18 per cent rate of interest which adds to their cost of operation. In several Asian counties, loans are available on interest as low as three per cent annually. India should take such steps," he adds.

According to Salunkhe, out of the total exports in India, 43 per cent is regards to exports from the SME sector. "We anticipate the figure to go up to at least 47-48 per cent by 2018," he informs.

The central government on its part has also set up National Manufacturing Competitiveness Council to suggest ways to enhance competitiveness in the manufacturing sector. The government has already announced a National Manufacturing Policy (NMP) that aims at raising the share of manufacturing to 25 per cent of GDP by 2022. The NMP envisages setting up of national investment and manufacturing zones, which are industrial townships, benchmarked to the best manufacturing hubs in the world.

Rakesh Nanda and **Ankita Desai** worked for 7 months to raise a seed capital of ₹ 40000 for their business. They generate a turnover of ₹ 2 crs at present

THE BRAND OF SUCCESS

When Rakesh Nanda and Ankita Desai were doing their graduation in Mass Media (BMM) in Mumbai, they already knew what they would be doing after completing their degree education.

"We wanted to start something in retail branding space as it was one sector which had a lot of potential. We thought we could do a much better job that the players already present in the market," Nanda explains.

However both their families though supported them morally, were not in a position to finance their venture. "Though we thought of starting it small, we wanted to be well organised and needed an office space with the company properly registered before we approached the customers. All this would need some capital which we did not have then," he informs.

So immediately after completing their studies, both of them decided to take up some job which would help them with the seed capital. "Since we were fresher, it took us nearly 7 months to raise a capital of around ₹ 40,000/- collectively," Nanda says.

The duo then got their company registered and took up small 100 sq feet office space on lease at South Mumbai. "It was decided that we were here to add value to our client and from there we froze on the name Plus Branding Solutions with a tag line of adding value," Nanda explains.

They got their first client Royal Canin, the pet food major through reference. "We have been successfully managing their branding for last 5 years," Desai reveals.

In the first year of operation, they managed to generate a turnover of around ₹ 40 lakhs. "We even managed to employ 3 people in the first year. Our margins were low as our jobs were outsourced. We did make some profit but enough to give salaries to ourselves. During those lean days we don't remember spending any money on ourselves apart from what was required for growing the business," Says Nanda.

WE WANTED TO START SOMETHING IN RETAIL BRANDING SPACE AS IT WAS ONE SECTOR WHICH HAD A LOT OF POTENTIAL

In the year 2010, when the business grew further, they purchased 3 more machines and took up another place on lease in the suburbs of Mumbai.

Desai adds that for the first two years, they had not taken a single holiday and were working continuously. "So when we managed to save a decent sum, the first thought which came was to take a break and go on a vacation, but we managed to control our emotions and decided to purchase machines to save on the margins," She explains.

Another challenge faced by them was getting skilled manpower. "Our business requires a lot of people on ground who could do the implementation and fabrication and most of them are not ready to work on fixed pay rolls. Hence at times it gets difficult to get skilled labour on a short notice," Nanda says adding that over a period of last 4 years they have developed a decent reputation in the market and don't face issues in managing large number of people over a short notice.

Today the company boasts of a client base of around 25 companies and clocked a turnover of around ₹ 2 crore last year. "We are very proud to say that we haven't spent a single penny on marketing our services till date. All our business is basis references from our clients and word of mouth publicity," Desai says.

"We are targeting a growth of 100 percent year on year for the next 5 years and would strive to add one service every year from here on for next five years," Nanda adds.