

TRADEBRIEFS

SME

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MSME Credit on a Slow Track

THOUGH ABOUT ONE-THIRD OF THE COUNTRY'S GDP IS CONTRIBUTED BY MORE THAN 50 MILLION MSMEs IN THE COUNTRY, THEY STILL FACE A CREDIT CRUNCH WITH RISING INTEREST RATES

While micro, medium and small industries are seen as critical to revive the country's economic growth, the flow of credit to these sectors has been slowing on the back of higher interest rates. According to latest data released by Reserve Bank of India (RBI), year-on-year bank credit growth to micro and small industries was 0.5% till June 23, 2017 while overall (non-food) credit was 4.8% during the same period. Between April and June of 2017, loan growth to micro and small enterprises actually contracted by 2.2%.

The scenario looks grimmer for medium enterprises. Loan growth contracted 8.1% on a year to year basis while during the April-June end period, the contraction was 4.4%. The data further shows credit to industry contracted by 1.1% in June 2017 in contrast with an increase of 0.6 per cent in June 2016. While credit growth to major sub-sectors such as infrastructure, metal, textiles, food processing contracted, it grew for sectors like construction, vehicles, vehicle parts and transport equipment. The sectors seeing loan growth are the retail sectors which saw credit growth of 14.1%, year-on-year.

What explains this lacklustre loan demand for the micro, small and medium sectors?

One of the main reasons is the persistence of high interest rates in these sectors despite banks having cut their benchmark lending rate, known as marginal cost of funding based lending rate (MCLR) by about 90 bps in January, after the demonetization exercise was over. But clearly the benefit of interest rate cut has mostly accrued to retail borrowers like home and auto. On the other hand, interest rate cut was minimal

for small and medium industries.

That some of the sectors were not benefited from reduction in loan rates was also observed by the Reserve Bank of India which had reduced the key policy rate or the repo rate by 200 bps to 6% since January 2015. The central bank after reducing the policy rate by 25 bps to 6% in its August policy meeting said loan rate cuts were more prominent in areas where there is stiff competition like housing and personal loans. The central bank urged commercial banks to reduce lending rate for those segments which are yet to benefit from cut in policy interest rate.

"Given the liquidity conditions prevailing and that we have reduced policy rates by substantial amount since the easing cycle started, I think there is scope for banks to reduce lending rates for those segments that so far have not yet benefited to the full extent of our policy rate cuts," Urjit Patel, governor RBI had said.

The role that these small industries will play in economic growth and employment cannot be over emphasised. About one-third of the country's GDP is contributed by more than 50 million MSMEs in the country. It is expected that by 2020, India will have the largest job-ready youth population in the world.

Mahindra group chairman Anand Mahindra recently said at an event that it is not big business or large industry groups that the real growth in employment and in manufacturing is going to come from, but rather from SMEs, the entrepreneurial small sector. Mr Mahindra emphasised on increased public policy focus on small businesses so that they drive this next wave of growth.

Cont. on pg 5



ISSUES

Challenges faced by MSME

MSMEs have contributed significantly to the Indian economy. However they seem to be plagued with problems at every stage. Here we look at some of the common problems that most MSMEs face.

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INTERVIEW

Regaining the lost Glory

Dr. Sujaya Banerjee, CEO – Capstone People Consulting, brings forth some key learnings that young entrepreneurs and organisations can derive from the developments at Infosys.

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POLICY

GST implementation rattles small businesses

Despite the government hailing GST roll out as a success, the ground reality is that traders and entrepreneurs are still grappling with the complications and finding the going tough.

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TOURISM

Cruising Ahead...

There are a number of fiscal challenges the government needs to fix before India can emerge as a competitive market for global cruise operators.

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SMEs still coming to terms with GST

Indian SMEs are still struggling to cope with the changes brought about by the country's biggest tax reforms more than a month after the introduction of the single producer levy. The swelling list of teething problems, such as dealing with unregistered vendors, cracking harmonised system of classification (HSN) code, and adopting reverse charge mechanism (RCM), has compounded matters. The lack of understanding and clarity on new regulations in some areas, and the industry's general aversion towards getting into the 'system', appears to be affecting business.

MSME urges exemption of Khadi from GST



The MSME Ministry has asked its Finance counterpart to consider exemption of Khadi sector from GST or ensure a seamless flow of input tax credit for Khadi Institutions to claim it. At present only Khadi yarn produced in the sector is exempted, while other Khadi products attract a 5 per cent Goods and Services Tax (GST) levy. The entire Khadi and Village Industries sector has enjoyed the benefit of tax exemption even in pre-independence era.

Xerox eyes SMEs for growth

US-based Xerox will now be focusing on small-and medium-sized business (SMB) sector along with its enterprise market. Xerox India said, "the market is now oriented towards value which means it is looking for service providers that will give them

the value and drive growth. India is now looking to transit into services by acquiring the technology. This trend has become more dominant among the SMBs." The company is also prioritising mobility and security as its key product features.

GST Shiksha hub for SMEs

Tata Consultancy Services has announced its partnership with Laghu Udyog Bharati, an association of small and micro industrial units, to launch GST-related content to help Micro, Small and Medium Enterprises (MSMEs). The 'GST Shiksha hub' will aim to provide relevant information on GST to all MSMEs on a real-time basis, helping them to be updated on any GST-linked development. The partnership will benefit MSMEs in facilitating self-learning, with anywhere, anytime access to study material enabling them to create a technology supported collaborative work place.

69 companies named in second shortlist of GSPs

The GST Network, the nodal agency in charge of the technological infrastructure for the new goods and services tax regime, has shortlisted 69 more companies to become GST Suvidha Providers (GSPs) to facilitate more channels to route invoices under the GST to the central database. These include HDFC Bank, Zoho Corporation and two of the remaining Big Four consulting companies – PWC and KPMG. The agency had earlier shortlisted 34 GSPs. The second list does not include Flipkart and several startups such as ClearTax, Legal Raasta and Moglix, which had applied to be GSPs.

SAP India to prepare 1.5m digitally-skilled workforce by 2020

SAP India recently announced it will skill, reskill and upskill 1.5 million SAP consultants within the next three years. The company aims to bring in an influx of skilled consultants to increase the capabilities of their partners and customers and grow the ecosystem of experts. After the Goods and Services Tax (GST) roll-out and 'Digital India' initiative, the over 51-million SMEs in the country will have to

SME bank loans from Loan Frame

With no or limited access to formal sources of finance for many small businesses; three entrepreneurs have come together to start Loan Frame. This SME-focused online lending platform, Loan Frame offers an entire portfolio of products, including secured and unsecured loans ranging from as low as Rs 1 lakh to as high as Rs 50 crore. The company says, "There are over 50 million small business establishments in India and only 10% among them have access to institutional credit. We wanted to trim this gap by enabling lenders to provide low cost, simple and fast loans to small businesses."

ECGC supports 85% of MSME exporters last year

ECGC has supported 85% micro, small and medium enterprise (MSME) exporters of its total support in 2016-17, informed Ministry of Commerce & Industries recently. ECGC's support of total exports at Rs. 2,65,000 crore was around 15 percent of total merchandise exports in 2016-17. A significant aspect of ECGC's performance was that 85 percent of its support was accounted for by MSME exporters.



scale up their technology infrastructure. To enable transition to a digital platform, enterprises will require experts, and SAP with its programmes and initiatives aims to provide expertise to fulfill this digital gap.

Events

INTERNATIONAL BUSINESS COLLABORATION OPPORTUNITIES FOR SMES



The Seminar will provide unique opportunity to SMEs from manufacturing industry to identify international business collaborations, joint ventures, technology transfers, contract manufacturing tie-ups, investment, exchange of know-how and strategic business partnership with overseas companies. This will emphasize on opportunities to connect with overseas companies for business partnership to accomplish 'Make in India' initiative of Hon'ble Prime Minister.

Date: 19 September, 2017

Venue: Mumbai

Contact: S. Maheshkumar - General Secretary, MIEDA

Tel: 91 - 22- 6150 9800 | 6667 4444

Email: mieda@vsnl.net

AUTOMOTIVE INDUSTRY 4.0 SUMMIT HARYANA

To sensitize and prepare Indian automotive sector to embrace technological disruptions and compete globally, the Automotive Industry 4.0 Summit will be held on Thursday 14th September 2017 at Hotel The Westin, Gurgaon. The Summit will bring all stakeholders including Government, academia, Indian and global companies on the same platform. These stakeholders will share their experiences and brainstorm on Indian Industry's adaptability and how industry 4.0 will change the face of Indian automotive industry.

Date: 27 September, 2017

Venue: Hotel The Westin, Gurgaon.

Contact: Ratnakar Pandey
Confederation of Indian Industry (Haryana)
Haryana State Office

Plot No. 249-F, U dyog Vihar, Phase IV,
Sector 18, Gurgaon-122015, Haryana

Phone: +91-124-4014071 / 4014060 - 67

Email: ratnakar.pandey@cii.in

GLOBAL SME BUSINESS SUMMIT



This summit will provide SMEs with unique insights on the entry strategies for various global markets and help them assess the potential of their products and services globally. SMEs will also learn about a range of products and services to enhance their competitiveness and productivity. It will also provide numerous networking opportunities and B2B meetings scheduled online with Government officials, Embassy officials, Procurement heads of Global OEMs and 500+ Industry delegates from 20+ countries.

Date: 19-20, September, 2017

Venue: India Habitat Centre, New Delhi

Contact: Manika Bamba

Email: manika.bamba@cii.in

Tel: +91 124 4014053/ +91 9871107484

MUMBAI ENTREPRENEUR'S MEET

Mumbai Entrepreneur's Meet in its 3rd Season invites all the aspiring, Startups and mid level Entrepreneurs for a Full day Conference in association with Bombay Stock Exchange. The full day conference will be witnessed by 500+ Entrepreneurs, 50+ Investors & 30 + Speakers sharing excellent overview of the industry. The workshops has been designed excellently well by our partners for insights on various skills and tactics. The aim of the meet up group "Mumbai Entrepreneurs" is for fellow entrepreneurs to get together, inspire each other, share knowledge, give advice, encourage and discuss.

Date: 14 October, 2017

Venue: Mumbai

Organiser: India Entrepreneur's Club



ELECTROMA EXPO 2017

Electroma Expo would provide an upbeat, pioneering and value based platform for interaction within professionals, distributors, Dealers, Retailers & OEM of latest Electric, Electronic & Solar Energy manufacturing technology under one roof. The expo would focus on the latest technology and products of the sector thereby proving an ideal platform for disseminating the knowledge and innovations etc. The expo aims to strengthen the industry's innovative potential, boost the process of technical renovation providing road map to further development of this industry.



Date: 6-8 October, 2017

Venue: Hotel Gulmor, Ludhiana, Punjab.



Challenges faced by

MSME



TradeBriefs Bureau:

Over the last five decades, MSMEs have contributed significantly to the Indian economy and created large scale employment opportunities for youths, especially in the rural and backward areas. The sector comprising of 36 million plus units (as per MSME study in 2016) have played a critical role in reducing regional imbalances, ensuring equitable distribution of national wealth and contributed significantly to socio-economic development of the country. Even as they provide employment to over 80 million people, contribute 8% to GDP and 45% to the total manufacturing output and 40% to the exports, they continue to be confronted with a plethora of operational challenges.



Whether it is buying of raw materials, manufacturing of products, marketing of goods, raising finance, hiring and retaining trained professionals, etc. they seem to be plagued with problems at every stage. Here we look at some of the common

problems that most MSMEs face while running their respective businesses:

- **High cost of credit:** One of the major problems that MSMEs face at the time of business expansion, delivering on new business orders, new product/service launch, etc. is access to adequate and timely credit at a reasonable cost. Though banks have lent around Rs. 8 trillion to MSMEs, the sector is still under capitalised and badly in need for capital infusion. According to International Finance Corporation (IFC), MSME sector faces a severe capital shortage of Rs. 32.5 trillion.
- **Collateral requirements:** The bank's perception of MSME lending is that of 'high risk', and virtually all banks prefer to extend financial support only against collateral. A significantly large portion of MSME loans between Rs. 30 million to Rs. 150 million are actually in the form of Loan Against Property (LAP). Though these collaterals are property, gold or bank FDs, entrepreneurs in MSME sector are not in a position to provide collateral to avail loans.
- **Limited access to equity capital:** In India, most of MSMEs operate in debt markets. While MSMEs face challenges in accessing credit, they also lack awareness of equity as an alternate source of financing. Even for start-ups that are more aware, they are on a constant hunt for incubators and angel investors to provide

finance and other support.

■ **Procurement of raw materials at a competitive cost:** Access to raw materials makes a significant difference to the operational efficiency of MSMEs in the manufacturing sector. Owing to the financial constraints, MSMEs are forced to procure material much smaller in scale thereby losing their competitive advantage to competition.

■ **Problems of storage, designing, packaging and product display:** In the absence of adequate finance and infrastructure for marketing their products, MSMEs are forced to operate at sub-optimal scale and make do with minimalistic design and packaging in the face of tough competition from bigger Indian companies and MNCs.

■ **Lack of access to global markets:** In the wake of liberalisation and globalisation, Indian MSMEs have the option of going global. But owing to their limited knowledge of international business, EXIM procedures and processes, technological obsolescence, inability to access institutional credit, intense competition... most dare not dream about it.

■ **Inadequate infrastructure facilities, including power, water, roads, etc:** As most MSME units are either located in industrial estates set up many decades ago



or are functioning within urban areas or have come up in an unorganized manner in rural areas. The state of infrastructure, including power, water, roads, etc. in such areas is poor and unreliable.

■ **Low technology levels and lack of access to modern technology:** In an increasingly competitive set-up, companies have no choices but to follow their competitors in adopting information technology. Generally, MSMEs in the absence of government support and incentives are found not to invest much in technology, and it is this attitude that's making them uncompetitive in the

global market.

■ **Lack of skilled manpower:** MSMEs employ unskilled, semi-skilled and skilled manpower. Availability of skilled manpower has been a regular problem mainly because competent manpower is either not available or if it is available they are reluctant to join MSMEs. Hence, these companies are pressured to train unskilled/semi-skilled individuals into skilled professionals.

In order to ensure that the above issues do not stand between MSMEs and their global aspirations, the government needs to design an adequate financing regime.

Merely creation of greater number of financing bodies is not the solution. The systems, rules, procedure and practices governing the granting of capital, monitoring will be to be thought through carefully. Furthermore, appropriate strategies need to be evolved for creation of an enabling ecosystem through initiatives like: 'GST – One India One Tax', 'Make in India', 'Skill India', 'Start-up India'..., where these enterprises are motivated to build on their capabilities and capacities to meet the emerging challenges of a globally competitive order.

Cont. from pg 1

MSME Credit on a Slow Track

In an address to bankers, former RBI deputy governor SS Mundra said developing empathy for micro, small and medium borrowers and understanding their financial and other related needs is the first and foremost mantra for the bankers. He said this can obviously be achieved if the top management of banks are convinced about the potential of the sector and treat MSME lending as a priority for sound commercial reasons.

RBI has observed that one factor that seriously ails the micro, medium and small enterprise (MSME) entrepreneurs is large-scale ignorance about banking products and practices and also a lack of awareness about the unfolding economic environment.

The first mantra for such borrowers is to develop awareness about the changing economic dynamics and its impact on their businesses. Borrowers should also make efforts to be updated with the latest regulatory guidelines, schemes offered by the banks and also by the Government.

As bank credit remains costly, it is also time for MSME players to look for alternative sources of credit. Some of the common forms of alternative finance include crowd-funding, Invoice

trading, Peer-to-peer or marketplace lending, Angel investors etc.

The National Stock Exchange also has an SME platform for entities whose post issue paid up capital is less than or equal to Rs.25 crore. The platform allows new, early stage ventures and small companies to raise much needed growth capital as they grow and mature. The banking regulator is also of the view that credit rating can make an MSME unit's access to financial services more efficient as it provides transparency, helps overcome perceived uncertainty in lending decisions and thereby reduces time and transaction costs.

"MSMEs can use ratings to enhance their credibility with other counterparties too, such as technology providers, suppliers, and customers. In this context, having proper documentation would be extremely critical," the deputy governor said.

While banks need to be pragmatic and sympathetic to the problems a small firm is facing, at the same time such entities should be open with banks about the problems that their enterprise is facing.

Entrepreneur of the Month



Chipili Live!

“Live entertainment at your doorstep”

It all happened one evening three-years ago in France, at a friend's birthday party. Just as things were getting a bit boring with the usual stuff, one of the group members decided to call on his musician friend for a live concert at home. It was a bizarre idea coming out of the blue, but the very fact that everyone was willing to chip-in to see the action made it a reality. “Arranging a live music performance at a house party in Europe was indeed an unusual and a novel thought for everyone. Certainly, it wouldn't have raised an iota of curiosity in India, because such performances have been an integral part of its rich cultural heritage for centuries. Our country has seen a long legacy of royal patronage being given to resident artists/performers, and they too took great pride in performing at ‘mega’ family/community celebrations,” reasons Irfan Khan.

Spellbound by the evening's magical experience, for a while, the two founders Irfan and Vincent pondered over the feasibility of turning this new concept into a full-fledged business idea. In due course, Chipili (named after Aztek God Xochipilli, the God of arts, beauty, games and dance) was resurrected! The two started meeting local bands and visiting jam rooms across France to sign-up local talent. The offer of hosting a ‘live performance at home’ was an irresistible one for most European families. Gradually, their business gained local support from resident groups and government agencies. Elaborating on the secret of Chipili's dream run in Europe Irfan says, “We made sure that the local emerging talent got a huge share of our live programs. The local talent given an opportunity to perform in front

of their community invariably delivered a lot more than just entertainment. The sessions served as a platform for education and cultural integration. Rightly, the European government did acknowledge our contribution to society and awarded us seed funds and grants to take this platform across Europe.”

While business in Europe gained instant acceptance, the promoters of Chipili knew that selling the concept to entertainment-hungry India would be a challenge. The country's size, cultural diversity, demographic complexities, regulatory framework... were playing heavily on their mind while deciding on their launch city. Elaborating on the criticality of picking up the right city Irfan explains, “Chipili's business model was not centred on originality of an ‘idea’ or ‘technology’.

Instead it was driven by the strong urge to ‘revive an ancient Indian tradition of live entertainment’. Now the only difference being that in good old days, live performances were reserved for the royalty, whereas Chipili wanted everyone to have their share of a gala-time at their own small abode.” Eventually, it had to be Bengaluru! Comparatively a smaller city, Bengaluru had a start-up culture that made life a bit easy. Moreover, the city was not overshadowed by a strong film culture, it enjoyed a soft spot in the hearts of most southern musicians/artists and it was also blessed with an abundance of independent floating talent.

Chipili's launch gave the residents of Bengaluru a new entertainment option - instead of going out for a movie or



watching TV at home, they could now invite a theatre group or musicians home, and enjoy their performance live with their family and friends. What's really interesting is that the entire experience is available at the click of a button. One has to go to Chipili's website, select the option of available performances, pick an artiste, check his availability, pick a convenient date, feed in the venue details (at home or anywhere outside) and pay.

Moreover, if one is looking for additional support services, he can also request for lights, a stage and sound equipment and so on. “In the beginning the client is a little apprehensive about an artiste coming home to deliver a performance; because he knows very little about him. But as the evening progresses and as everyone has great fun, they tend to be happy about the whole experience,” agrees Irfan who is very vocal about living up to the expectations of his clients.

“You have to make sure that you get the expectations right – what your client is asking and what is being delivered. As long as there are no surprises for the client at the end of the day, everything goes smooth,” he adds.

- Manoj Mahanta



IRFAN KHAN

From the Editor's Desk

The world's most powerful languages!

Should we all emulate Mark Zuckerberg and embrace speaking Mandarin, or perhaps teach our children the language? In April this year, U.S. President Donald Trump's grandchildren (aged 5 and 2) engaged in soft diplomacy at the highest level when they sang in Mandarin for the Chinese president and his wife. Ten years ago, investor Jim Rogers even moved to Asia to provide his daughters with a strong Chinese learning environment. Language opens doors. Speaking more tongues means more opportunities to participate in conversations. It's also clear that the power of a language goes beyond simple head count. Kai Chan of INSEAD has created the Power Language Index (PLI): If an alien were to land on Earth, what language would serve it best? As expected, English comes in first. Mandarin is growing in power but remains a distant second. French comes in third place, with strong results in geography and diplomacy. Among Indian languages, Hindi comes in at number 10.

Mark Cuban on the number 1 skill he values in his employees

As the founder of early internet streaming radio company Broadcast.com, TV channel HDNet, and now a Shark Tank investor and owner of the Dallas Mavericks, Mark Cuban has hired hundreds of employees over the last two decades. And he says there's one skill he values more than anything else: Stress reduction. "The people that tend to work for me for a long time, not only are smart, not only are driven, not only are learners, but they understand that the greatest value you can offer a boss is to reduce their stress."

Why your API may be a better investment than your app!

We are spending more time in apps, but doing so roughly in the same apps. We may have reached 'peak' app! If you are planning to launch an app, think again! Apps today are like boutique stores - each one striving to be unique, creative, bespoke, and memorable. And while many of us enjoy the boutique experience, it's pretty clear they are dying while companies like Amazon thrive. Time has simply become too precious for the average person to spend all but a small amount of it outside their routine. During the mobile honeymoon we could justify that time as entertainment value, but the novelty is wearing thin. Apps like Facebook, Instagram, Slack, Twitter, Snapchat, and Messenger will continue to gobble up our time like Walmart gobbled up our local stores. You can try to fight them, but your time is better spent discovering ways to get on their shelves. Ask yourself: do I want to compete against supermarkets, or do I want to become their best selling product?" Building an API may be a better idea than building an app.



- Sree Vijaykumar

Quote Unquote



"Scale is important for a startup. Think big, but take one day at a time"

- **Kunal Bahal**
Snapdeal

"If you fully accept the worst that can ever happen in your journey, fear won't ever be an obstacle in starting-up"

- **Kunal Shah**
FreeCharge



"The fundamental model of our business is that in mature markets we should make profits and they shouldn't need any more outside money to grow"

- **Deepinder Goyal**
Zomato

"Entrepreneurship is all about how confident you are in changing something, because most of the people will not accept that change so go ahead and learn it"

- **Naveen Tewari**, InMobi



"The goal has never been about being an entrepreneur or starting a company. It has always been about solving a problem we deeply care about"

- **Shashank ND**, Practo

"Don't ever let somebody tell you you can't do something"

- **Vedika Goel**
Founder of With You



"Indian entrepreneurs will be unstoppable"

- **Ronnie Screwvala**
UTV

Entrepreneurs are always struggling to find the perfect balance between opportunity and realism that an investor can buy into.

- **Karl Alomar**, DigitalOcean





EMBASSY INDUSTRIAL PARKS ARE COMMITTED TO BRINGING QUALITY 'A' GRADE INDUSTRIAL, LIGHT MANUFACTURING AND WAREHOUSING SPACES TO LEADING CONSUMER AND INDUSTRIAL CENTERS ACROSS THE COUNTRY. SPEAKING EXCLUSIVELY TO **TRADEBRIEFS**, THE COMPANY CEO, MR. ANSHUL SINGHAL, SPOKE ABOUT THE COMPANY'S PLANS FOR INDIA. EXCERPTS:

Bridging the Gap



Elaborate on some of the major milestones in Embassy Industrial Parks' success story?

Embassy Industrial Parks (EIPs) are committed to bringing quality 'A' Grade industrial, light manufacturing and warehousing spaces in close proximity to leading consumer and industrial centers across the country. Having begun operations two years ago, we have bought important parcels of land across the country with the aim to build 15 to 20 million sq. ft. of industrial and warehousing space over the next 5 years. We have already signed lands at various stages of acquisition in Chennai, Delhi, Pune and we are actively working to acquire lands in Mumbai, Gujarat, and Kolkata. We have our strong presence in every real estate vertical and have a profound understanding and market share of this industry. EIPs are set up as independent business verticals, professionally managed, equipped with the right resources, skill sets, and necessary empowerment.

How has the response been for the already invested and developed parks?

There has been a great response towards the parks. With the implementation of GST, Make in India and policy level changes in government, the industrial real estate is

opening up to be a profitable sector and a lot of foreign investment is coming in. For instance: We have a 70:30 JV with Warburg Pincus where they have invested Rs. 1,000 crore out of the total Rs. 1,600 crore of equity investment. This means we can raise another approximately Rs. 4,000 crore as debt, so our investment alone will be Rs. 6,600 crore in this sector. This totals to USD 1 billion.



MR. ANSHUL SINGHAL

In three years, this sector will witness a major growth spurt and we will see a lot of new developers coming in.

Are there any specific reasons for choosing the cities of Mumbai, Pune, Delhi, Bangalore, Chennai, Hyderabad, Kolkata and Ahmedabad for business growth?

We are looking at cities that are major consumption centres where there is a large demand for 'A' Grade warehousing. Most of the warehousing today is non-compliant and are not properly constructed; hence the demand for 'A'

Grade warehouses. With the growing needs of our masses, an increasing fondness of e-commerce and the much-required accessibility, we plan to start support with these main cities. But over time, we will enter small towns as long as there are suitable conditions for constructing and sustenance of the parks. We are very clear about our five-year plan. We are planning to set up about 8 to 10 parks in seven cities that include Mumbai, Delhi, Bangalore, Pune, Chennai, Kolkata, and Ahmedabad. There will be more than one park in Delhi and Mumbai; 9 parks, over the next 3 to 4 years, which will total to 20 million sq. ft. of leasable area. We plan to buy land with our equity line of 1,600 crore.

What are some of the benefits that EIPs offers vis-à-vis others?

When you are competing with someone, you are either fighting for same market share or same revenue. This is not the case for us currently. EIPs is an early mover in this business and will enjoy the early mover advantage for the next 3-5 years. Our users benefit in terms of long-term costs and operational efficiency. We provide build-

to-suit factory buildings and warehousing facilities to industrial and logistics clients on a lease rental basis. The development will further include best in class industrial infrastructure along with amenities.

Could you elaborate some of the unique facilities developed in the industrial park that really makes it 'SMART' industrial belt?

We provide rainwater harvesting, solar panels, energy management and so on. Our parks have the right amenities such as truck parking, traffic management, 24x7 CCTV controlled security, fire management, Incubation warehouses, ATM's emergency medical services and so on. We not only build 'A' Grade assets, we also have a full-fledged arm called Embassy Services who are pioneers in property and facility management. This package gives a boost to the Indian manufacturing, FMCG, e-commerce, pharmacy and 3PL operations. Embassy Group has an impeccable track record of working across the entire ecosystem – from identifying strategic locations as per business needs to development and management of properties. ■



IN CONVERSATION WITH MANOJ MAHANTA ON THE RECENT INFOSYS CRISIS, DR. SUJAYA BANERJEE, CEO – CAPSTONE PEOPLE CONSULTING, A FOREMOST LEADERSHIP SPEAKER/ COACH AND RECIPIENT OF SEVERAL INTERNATIONAL AWARDS AND ACCOLADES FOR HER CONTRIBUTIONS TO THE HR, ATTEMPTS TO BRING FORTH SOME KEY LEARNINGS THAT YOUNG ENTREPRENEURS AND ORGANISATIONS CAN DERIVE FROM THE DEVELOPMENTS

REGAINING THE LOST GLORY

Do you think the seeds of Infosys crisis were sown even before Dr. Vishal Sikka joined the organisation?

Infosys had the older delivery style, and they were on the lookout for a CEO who would help them revisit their business strategies and bring about the much needed change. Dr. Vishal Sikka's appointment was perhaps an attempt to move onto the next level and not just be an operations delivery organisation. But to be a different kind of organisation you have to first stop doing what you have traditionally done, and be more innovative, more entrepreneurial, bring in more technology and fresh thinking. Unfortunately, it didn't happen! In my opinion, most organisations romance with the idea of 'transformation' and 'change', but they don't understand or comprehend that there is an emotional price to pay for the change.

In hindsight, does it appear that Infosys picked-up a wrong candidate as CEO?

Dr. Vishal Sikka was a very competent and capable candidate to lead the organisation on its path to self-discovery and innovation, because he had the reputation of delivering on several such assignments in the past,

including SAP. I believe Vishal Sikka found himself in the wrong place at the wrong time. He became victim of the 'change' that he believed he had set in.

Often while working in a highly fluid and volatile environment where the past is not an indicator of future anymore, people at key decision-making positions need a lot of support from people within the organisation to get onto the next level of growth. Unfortunately, in case of Infosys the old guards were found to be constantly at loggerhead with the new ones.

What are the key learnings for other organisations and entrepreneurs?

What happened at Infosys is a classic example of the 'Culture Shock' that an organisation experiences while undergoing 'change' – not prepared to do things differently, not willing to change, far too many old timers sticking to old ways, hesitant about new thinking and fresh ideas... Organisations ought to be conscious of the fact that there is a price to pay to bring about change - sometimes key people start becoming less significant, new working styles have to be tested, new processes implemented, new

systems put into practice... As is the case with many Indian organisations, Infosys lacked this preparedness at key levels within the organisation.

Was the public spat over sensitive boardroom matter avoidable?

It appears that the incumbent CEO was unable to create the kind of synergies expected of him, and was unable to influence key people and carry along board members and other stakeholders in support of his decisions. When one takes on responsibility of a CEO along with that comes a lot of accountability, and likewise the obligation of carrying along people who may have a different perspective. Unfortunately, the manner in which boardroom differences were discussed and debated in public raises serious question on both sides. For some reason, if the marriage wasn't a happy one, then the two sides should have showed more sensitivity and under all circumstances avoided hurling allegations and cross allegations in the open.

What role do you foresee Nandan Nilekani play so as to salvage the situation?

I think Nandan Nilekani has come in to bring some stability to the organisation. He comes

in to resurrect shareholder's faith in the organisation, and will be responsible for finding an appropriate CEO candidate. Undoubtedly, there will be a complete recast of the board under his leadership, and an attempt will be made to get back some of the old guard. This time on, the board may look for an internal candidate as the next CEO and pick up someone who would easily align with the board and not be rebellious so as to avoid needless controversies and negativity.

What steps would you propose Infosys should take to rebuild stakeholder's faith in the brand?

Firstly, they have to move fast in announcing their new CEO candidate because in the IT space one month is a lot of time. Already, there has been a huge erosion of value owing to Sikka's moving out and the public spat with the founder. Next, the company has to make sure that there is no more loss of balance within the organisation. Make sure they hold on to the good talent, and to do that they would need a very inspiring agenda and a clear mandate. Lastly, they have to get back the lost glory by holding on to the promises that they have always delivered.



REALX, A PUNE-BASED FINTECH STARTUP, IS OFFERING A NEW WAY TO BUY, HOLD AND SELL REAL ESTATE IN INDIA. IT FACILITATES PEOPLE TO PURCHASE FRACTIONAL OWNERSHIP RIGHTS IN PROPERTIES SOLD ON THE PLATFORM. SPEAKING EXCLUSIVE TO N. FERNANDES, MANISH KUMAR, GROUP CEO, IVENTURES TALKS ABOUT HOW REALX WILL REVOLUTIONIZE THE WAY REAL ESTATE IS TRANSACTED DIGITALLY. EXCERPTS:

How was RealX conceptualized?

I have been in the business of innovation and startup right from the beginning. GREX, REGKO, InMeet and also The Fintech Forum have all been part of the startup ecosystem in India nurtured by me. Coming to RealX, we have been working on this fintech startup for the last one and half years and have finally seen success. Recently we were able to close our first maiden transaction of a commercial property at Karad near Satara, successfully. Although this transaction size is small, it has only acted as a proof of concept, and the closure of that finally establishes a construct that can now be deployed for sizable transactions that we look forward to do henceforth.

Who are likely to benefit from RealX?

Apart from allowing people to transact digitally, RealX has brought-in the concept of fractional ownership in Real Estate transactions. Property buying has always been a very involved, high ticket and cumbersome process. Even



after that it is fairly illiquid market. Owing to high ticket sizes, most of us were not able to participate in Real Estate, especially commercial Real Estate. We, at RealX wanted to create an option for people to participate in high value, high yield property transactions at lower ticket sizes and without the usual running around.

How does the new model work?

RealX is a digital ecommerce marketplace for Real Estate. This unique ecommerce platform allows sellers and agents to post property and all registered buyers can commit their co-ownership share in the respective properties. For instance, a property that is worth say Rs. 50 lakh can be jointly bought by five investors who can each commit Rs. 10 lakh. A transaction is successful if it can generate the total commitments required

for full sale, after which the transaction is executed in favor of the co-owners whose collective interest is represented by principal custodian cum administrator.

Can you talk about the 'security' and 'reliability' of deals transacted on this platform?

After the sale deed is registered, co-owners are issued equitable fractional ownership digital certificates called FRAX. This part of the operation is handled by REGKO, another fintech startup that provides asset registry solutions based on distributed ledger technology, commonly known as Blockchain. This technology has inherent benefits of immutability (tamper proof) and verifiability of records. These records are kept distributed across multiple nodes and this ensures the durability and correctness of it.

Many Indian state governments and regulators as well as the central government are very keen on Blockchain adoption. REGKO is already working with a few state governments for some possible Blockchain implementations, especially in the property registration and land records areas.

How do you see the acceptance for RealX?

Overall what we have been able to create is a deep mix of legal, finance and technology to bring forth to people an ability to participate in properties in a manner that was erstwhile neither accessible nor affordable. This heralds a paradigm change in how we understand property investments and how we buy, sell and hold them.

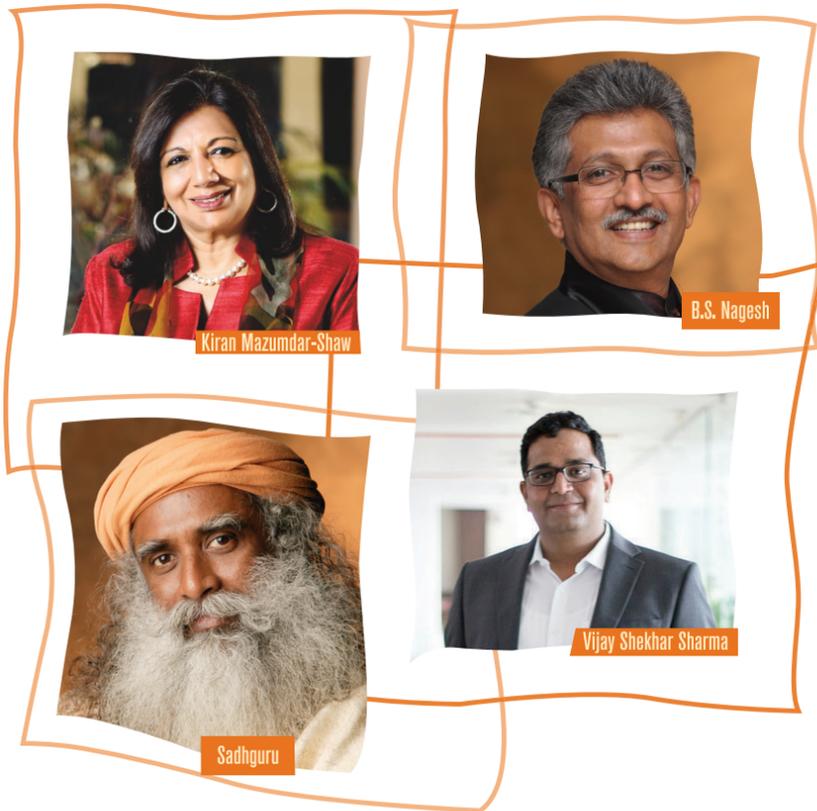
It will open up many new avenues of financial engagements as well. However, these are early days and we have only taken first steps. We will now open up our platform for various players in Real Estate industry to register with us and begin commercial transactions in two to three months.

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Despite the government hailing GST roll out as a success, the ground reality is that traders and entrepreneurs running small and medium scale businesses are still grappling with the complications and finding the going tough



TradeBriefs Bureau:

Even as Prime Minister Narendra Modi on August 15 claimed from the ramparts of the Red Fort that the roll out of the Goods & Services Tax (GST) was successful, the situation on ground tells a different story. Though over two months have passed since the introduction of GST, traders and entrepreneurs running small and medium scale businesses are still grappling with the complications and finding the going tough.

According to trade associations, most of the small businesses failed to file their first return which was scheduled on August 25, 2017 due to lack of familiarity with the new system. As per government data, only 65% of the registered users could file their first GST return. Due to technical glitches related to GST portal, the government had extended the filing date to August 25, but the confusion still persists.

“Every businessman in India; be it small, medium or large enterprises is spending maximum time in understanding GST,” said K E Raghunathan, National President, All India Manufacturers Organization (AIMO) in a letter to the Finance Minister. “In June itself we had expressed apprehensions with regard to government’s willingness for GST implementation, portal capability and software

dependability. We had also requested for immediate steps to educate and familiarize the users on GST implementation. As of today, every sector is affected. Imposition of GST is threatening their very existence and ability to carry on with business,” he added.

TECHNICAL GLITCHES

Traders on condition of anonymity said they lacked knowledge to operate the system and did not know whom to approach for help. In mid-August, the portal became inaccessible on account of heavy website traffic as claimed by the government. Though the issue has been since addressed, still some traders are experiencing difficulty in accessing the portal and have problems on the speed of its functioning. The situation is so serious that even today the finance ministry is issuing full page newspaper advertisements and clarifications indicating shortfall in the GST implementation.

Small businesses are panicking as they are facing teething problems in uploading their returns and they will be forced to pay penalty for missing the deadline. Some cases have come to light wherein some users encountered issues with the challan page on the GST portal. After entering the amount to pay, the portal took them to payment gateway.

They then accessed the bank page for internet banking and made the payment online.

The traders said they received the confirmation of payment and the amount got debited from their account as expense. “But after this confirmation, the GST portal did not return to dashboard page and the amount paid was shown as unpaid or payment initiated,” a businessman said. Emails sent to the helpdesk seeking confirmation of the payment made remained unacknowledged.

NO PROPER GUIDELINES

There is a widespread misconception as to what details to be furnished with respect to non-GST supply. Form 3 CB does not have an elaborate instruction for filling various parts. Specifically the form doesn’t reason as to why the liability under the Reverse Charge mechanism should be shown under the outward supply when the law does not mandate so, a trader asked.

As per rules governing GST, traders whose turnover is more than Rs 20 lakh need to pay taxes by 20th and file the return by 25th of the next month. Lack of understanding of the GST procedures, non availability of qualified manpower, lack of computer knowledge and scarcity of chartered accountants and tax consultants is adding to the confusion.

LACK OF AWARENESS

Today, there is lack of awareness that any trader, manufacturer and restaurant owner having annual turnover of up to Rs 20 lakh need not have to pay GST. In states like Arunachal Pradesh, Assam, Mizoram, Manipur, Meghalaya, Nagaland, Sikkim, Tripura and Himachal Pradesh, this category having an annual turnover of Rs 10 lakh is exempted from paying GST.

So, all small traders and manufacturers whose turnover is up to Rs. 75 lakh (Rs. 50 lakh for the entire above special category states) need to file the returns under the composition scheme which is meant for small tax payers. Under this scheme they need to pay 1% of their turnover as taxes, taxation experts said.

As per the law governing GST, a registered person failing to file the return will pay a late fee of Rs 100 per day subject to a maximum late fee of Rs 5000. Every tax payer who fails to pay within the stipulated time will pay 18% interest from the day succeeding the day on which such tax was due. As per latest data released on 29th August, Rs 92,283 crore GST has been collected for July from 65% of the estimated 30.38 lakh tax payers. And some more collection is underway...



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Funding Basics for SMEs



Small and Medium Enterprises (SMEs) in India have grown manifold in recent times, but the lack of funding often acts as a spoilsport. While there are many startup enterprises coming up each year, just as many fade away due to shortage of funds or over dependency on their funding agencies. Keeping this in mind, we present a handy list of dos & don'ts to keep in mind while seeking funds for your startup:

DO CHECK IF THERE IS ANY NEED FOR FUNDING

First things first! Ask yourself if your business really needs funding. And if the answer is yes, make sure you are crystal clear about why you seek finance. This will help you decide on the exact amount needed and at what stage you should go scouting for funds to fuel up your business needs.

The need for funding can be to fulfill one or multiple or all of the following:

- Do you need to expand your business?
- Do you need to expand your product line?
- Do you need to expand your team?
- Do you need to shift to a new location /city or invest in a warehouse?
- Do you need to pump in investments solely for marketing initiatives?

DO CHECK YOUR ELIGIBILITY FOR RECEIVING FINANCES

With so many businesses needing investment in the market, financial institutions go about strictly evaluating your eligibility before passing on any loan amount that you require.

- Check if your company registration and all required licenses and paper work are in place. You really do not want to give your investors the wrong impression with irregular documentation.
- Check your CIBIL score. Credit Information Bureau (India) Ltd, or CIBIL, is one of India's first Credit Bureaus. It

maintains records of all credit-related data of individuals and companies, including loans. Based on its data bank, CIBIL issues a credit report and a credit score. This is extremely important, as any bad loans in the past or delay in bill payments add up to a negative score. Ensure you have a healthy CIBIL score.

- Update your company's balance sheet and other financial records and keep all bank statements in place.

DO CONSIDER GETTING HELP FROM A CROWD-FUNDING AGENCY

There are many agencies these days who help with crowd funding initiatives. Approach them. They will also help you with all your paper work and liaise on your behalf with funding institutions. Your appointment officer from these agencies will most certainly work towards helping you as he has a target to complete too, so it's a win-win for both!

DO APPROACH BANKS

If you are not comfortable with the idea of seeking funds through an agency, approach the banks. The Government of India has initiated multiple schemes for startups in India and banks are obliged to provide the required funding to companies who fit the criteria laid by the Government.

DO CONSIDER PUTTING UP PROPERTY AS COLLATERAL

If you have any property registered in your name, you can offer that up as collateral to the bank to seek funds. The advantage is that the interest rate in such cases are as low as 10 per cent!

DO KEEP YOUR CASH OUTFLOW IN CHECK

The cardinal sin while seeking funds is to show greater cash outflow than cash inflow. Make sure that you rectify this before seeking investments, in case your outflow is more than your inflow.

The components that determine your cash

flow include:

- Rent for business premises
- Staff salary
- Bills
- Other miscellaneous items

DON'T JUST BORROW

Just because you have started a business and you think you might need money, does not imply that you go scouting for funds immediately. Funds that you receive too soon may harm your business acumen instead. You may end up spending on items that really do not need that kind of money. Carefully think through your need for funds before seeking any. Remember that there is money to be returned with interest, so the return on investment has to justify the funding.

DON'T APPLY FOR A ROUGHLY ESTIMATED AMOUNT

More money isn't always good for the business, especially if it is sourced from an external agency / institution / individual. No guesses and no estimates. Be clear on the amount you need and seek funding only for that amount.

DON'T BE CARELESS ABOUT WHAT IS AT STAKE

Read and re-read all the terms and conditions with your investors. If your property is put up as collateral, be double sure. If your stocks are at stake as collateral, again, be very careful. Losing something to gain something isn't always a good idea!

DON'T FORGET TO PAY BACK ON TIME

Neither too early nor too late. Check on the interest rates and if paying back early saves you some money, go ahead. But if paying back early makes no difference, then why deplete your funds untimely? You will be paying an interest either way. Use your funds wisely, and use them well.

- By SAON BHATTACHARYA



Cruising Ahead...

TradeBriefs Bureau:

What are the challenges you see in India?

The Indian government, particularly the transport and tourism ministries are being very proactive in creating the conditions for cruising growth in this country. However it is important that we strongly get this message out to the finance ministry, because until there are fiscal changes; until the goods and services tax (GST) is completely removed for all cruise operations; and until we can repatriate profits through double tax treaties on domestic cruises, there will always be a limit on the rate at which global cruise companies are prepared to grow in this market. At the end of the day, the market will only grow if ships come to India, but unless these fiscal barriers are removed we will simply not bring as many ships.

How confident are you that the government will consider the industry's suggestions?

You've heard about the investment in cruise terminals and the work being done to make the processes involved in embarking and disembarking cruise ships as easy as possible. You've also heard about commitments to make ports operate more efficiently so that port charges can be reduced. I am very confident that we will see a lot more progress in these areas but I am yet to see

With a 44% share of the global cruise market, Carnival PLC is now eyeing Indian shores. However, the company's Chairman, David Dingle says there are a number of fiscal challenges the government needs to fix before India can emerge as a competitive market for global cruise operators. Excerpts from an interview as TradeBriefs caught up with him on his last visit to India in August, 2017

signs of commitment from the finance ministry. I think it is important that the message sent to Delhi is loud and clear. Otherwise, there will be a brake on this big economic opportunity.

How many ships are you looking to bring into India?

We already have a ship operating here seasonally. It is a slow growth rate though. In China, we went from one ship to two, progressively. In five years' time, we placed five to six ships there. When you're building a market, it is a bit like test-and-learn. There may be moments when you've put too many ships too quickly and there may be other moments when you realise you need to put another one in. The precise rate of growth is hard to tell.

What are the opportunities in the domestic market?

Almost the entire opportunity in India is the domestic market and this is the case in most

other countries in the world. For instance, in the USA, which is the world's largest cruise market, the vast majority of Americans are taking cruises that depart from their own shores. It is the same in Europe, in Australia and now in China as well. Our research shows customers wish to have shore cruises. Also, they need to be affordable. Furthermore, people necessarily do not want to have to pay airfare on top of their cruise fare. All this means that cruising from India will largely be for Indians. That being said, there is a list of things we are working through and which we are fixing to the advantage of the Indian cruise industry.

Have you already developed your trading/channel partners?

Yes, we have already started. Today, around 200,000 Indians take a cruise every year and my company, through its Costa brand, has a ship based in Mumbai each winter. We

Fast Facts

- Every cruise ship coming to India helps to earn Rs 10 crore.
- Potential to be among the top three foreign exchange earners for India.
- Cruise ship arrivals increased by 24% and cruise passengers by 52% in 2016-17
- Number of passengers is now 2 lakh.
- The potential exists to make it 40 lakh passengers out of which Mumbai alone has the potential for 32 lakh passengers.
- From 155 ships currently, the potential is for 955 ships of which Mumbai can alone handle 700 ships.
- Carnival PLC alone sold 181,000 cruises in India in 2016, registering a compounded annual growth rate (CAGR) of 31%.

will shortly be starting our second season in December and we have already developed a good and reliable network of travel agents who are passionate about cruising and have knowledge about it. We have also begun a public relations campaign and I am extremely happy by the amount of media coverage which cruising is getting in India. 'Word of mouth' is another tool we will try and use to promote our cause. The growth is exponential and that is how we will develop it in India – word of mouth, distribution channels, public relations and some above-the-line advertising.

Located strategically, Nagpur is gifted with vast treasures of natural resources waiting to be harnessed to create new opportunities for industrial growth. The city being the ninth largest urban agglomeration in India, some of the regions are attracting huge investments in key areas of infrastructure, education and research and industry

Nagpur

THE NEXT BIG INDUSTRIAL HUB



TradeBriefs Bureau:

The 'Orange City' of India, Nagpur is gradually evolving into a major commercial, industrial, logistic and defence hub of the country. Especially, after the construction of ambitious Nagpur-Mumbai Super Expressway linking the underdeveloped regions of Marathwada and Vidharbha with Mumbai, the city has emerged as the most preferred industrial and commercial centre. The fact that new expressway would reduce passenger travel time between Nagpur and Mumbai to less than ten hours and cargo transportation time to less than 14 hours, makes the city the most preferred manufacturing destination. Also, Nagpur being the central point of India, the government of Maharashtra has chalked out ambitious plans to develop Nagpur as a multi-modal logistics hub.

While Nagpur is poised to play a vital role for the logistics sector benefiting the whole freight forwarding community, we look at some of the fastest growing regions of the city:

■ **MIHAN:** The land for MIHAN (Multi-modal International Hub Airport at Nagpur) Project (MIL) is taken from 15 villages of which 7 villages are from Nagpur Urban District and 8 villages are from Nagpur Rural District. The project

is spread over 4300 Ha of land, of which Airport is on about 1360 Ha and the SEZ is on about 2000 Ha. Recently, Patanjali Ayurveda launched its mega food park on a 230-acre land at the industrial hub, promising to employ 10,000 people and engage 50,000 farmers of the region in trade. The company plans to develop a Rs 1,000-crore food park at MIHAN, where juices would be made from famous Nagpuri oranges and for the first time packaged as a brand.

■ **MIHAN SEZ:** MIHAN SEZ, a platform for export oriented companies is a multi-product SEZ, which is already operational spreading over an area of more than 1597 Ha and boasts of quality infrastructure. Many IT giants are keen to set up their campuses in the MIHAN SEZ. TCS is building its campus on a 50-acre area. Infosys has commenced its construction work for its Nagpur campus. Other IT companies such as Wipro Technologies, Tech Mahindra, HCL Technologies, Hexaware Technologies and Zeon Solutions are keen to mark their presence in the SEZ.

■ **BUTIBORI:** Maharashtra Industrial Development Corporation (MIDC) has established its area in 1992 which is 28 Km from Nagpur highway. Considered as the biggest industrial area of Asia, Butibori is developed on 23.12 square kilometres out of which 14.94 km² is developed and has been given 5-Star status. The total area planned for development is

2428.14 hectares which covers 16 villages having private land of 865 cultivators and proposed areas are: IT park (20 hectares), Textile park (204 hectares), Apparel park (68 hectares) and Weaver's park (147 hectares). There are more than 1000 Units and the total employment in the industrial area is approximately 20000 to 25000

■ **UMRED:** The Maharashtra Government has identified 6,000 hectares in Umred near Nagpur for setting up its third National Investment and Manufacturing Zone. Under the recently announced National Manufacturing Policy, seven National Investment and Manufacturing Zones (NIMZ) have been identified, of which three would be in Maharashtra. The zone will be mega industrial areas, manufacturing a number of goods and having their own utilities and logistics services. Areas for residences and administrative services will also be well demarked.

■ **HINGNA:** Established in 1962, it is located 7 kilometres from Nagpur city. In this Industrial area, several engineering industries, electrical based industries, food based industries, etc. are located. Hingna industrial estate is a home of more than 900 small and medium industrial units, including Mahindra and Mahindra, NECO Ltd., Bajaj Auto group, Candico etc.