

Is **China** Good for
India Inc.? PG 110

GSK India: Only the
Paranoid Thrive PG 72

Praful Patel
Lashes Out PG 62

SME SPECIAL
The BT-YES
Bank SME
Awards
PG 80

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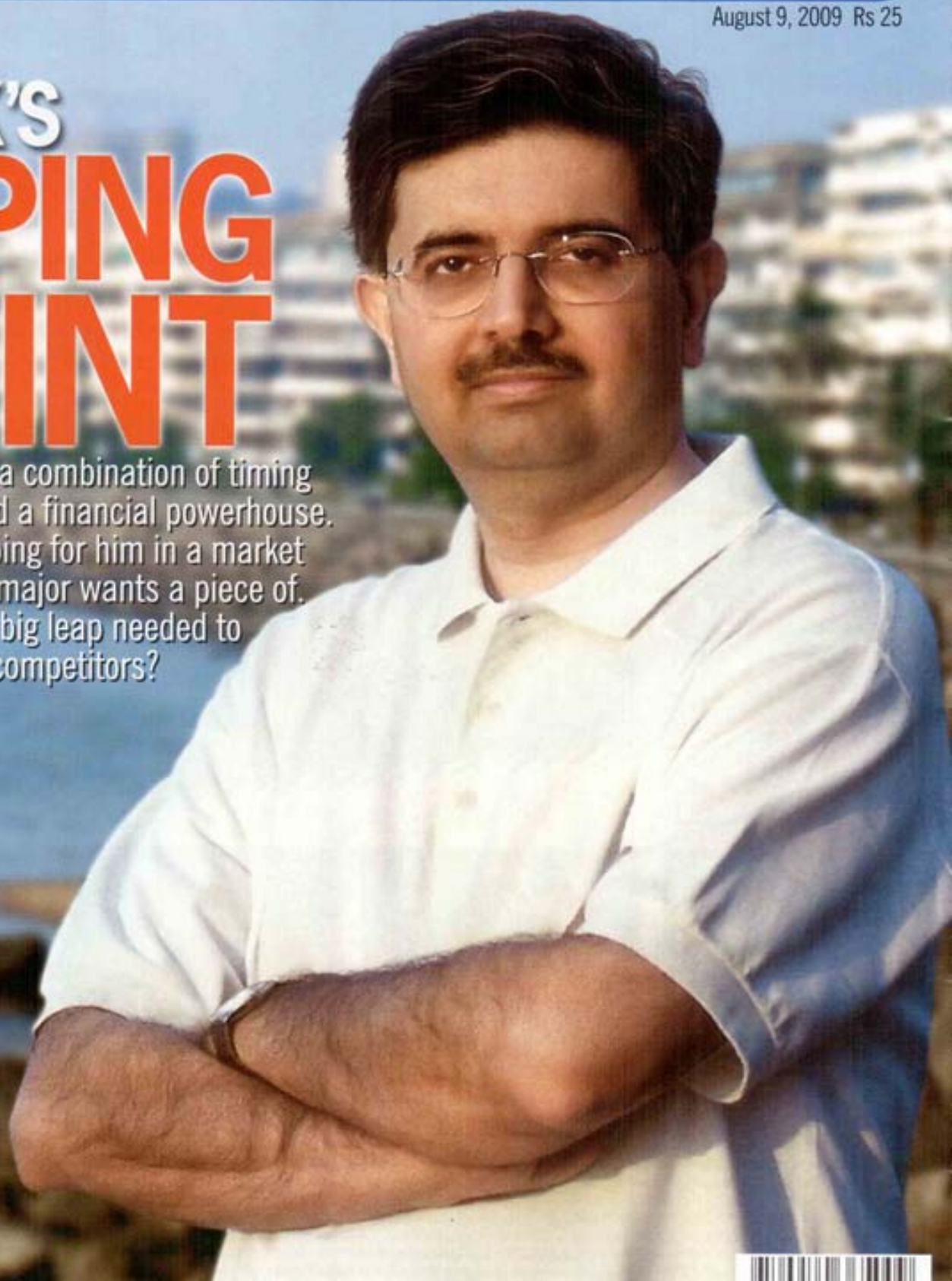
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KOTAK'S TIPPING POINT

Uday Kotak used a combination of timing and talent to build a financial powerhouse. He's got plenty going for him in a market that every global major wants a piece of. Can he make the big leap needed to take on mightier competitors?

PG 52





The Small and the Beautiful

Take SMEs out of the equation and India Inc. will suddenly appear to be on wobbly legs. For, while the big boys may make the big picture, the big picture itself is composed of thousands of minutiae. TEJESH N.S. BEHL

13 million plus SME units in the country

Employ over 42 million people

They aren't the best subjects for photoshoots—operating from industrial estates, making things like overhead cranes and with brands that lie buried under the hood of your latest Maruti A-Star. In a world preoccupied with bigness, even their classification tries to put them in their place: Small & Medium Enterprises (SMEs). Their promoters shun the limelight, instead wrestling for payments from corporate giants (often their main customers), driving up from their *kutchra* roads to negotiate with banks or with their excise officer. But they are also stars of India's irrepressible entrepreneurial spirit, sheer numbers making up for individual size. SMEs—over 13 million of them, employing 42-million plus people—account for nearly half of India's manufacturing output and 40 per cent of exports. Take away the SMEs and you could be dead right now if you are reading this in your chauffeured car (some SME made the steering wheel, rear view mirror, the fuel injection system and the seat itself).

So *Business Today* decided to do what we are best at: turning the spotlight on talent, and listing them. What if SMEs are not hot in B-School placements or if prospective fathers-in-law sneer at them! *BT* decided to highlight not just the individuals behind the SMEs but also tell their success stories, put a face on them. The numbers, as we said, were daunting and their anonymity more so, but we decided to make a start. After all, with the world in a recession, the giants of yesterday are laying off people and cutting costs. What better time to activate the budding entrepreneur who had lost himself in the clockwork of a 10 to 5 job and now finds himself jobless? So we—along with our partners (see methodology)—trawled through hundreds of SMEs, kept shortlisting and then picked out those we felt had the best success stories or most unusual ones. From this also, we picked category winners.

There's another reason for this focus on SMEs: the slowdown that has battered India Inc. since last year has not left SMEs unscathed. If at all, their plight is worse: many of them had to down shutters or lay off workers by the hundreds, even as they were operating on thin margins. As Surinder Kapur of Sona Group, which started off as an SME supplier to Maruti and has grown to a turnover of Rs 3,650 crore, told *BT*: "SMEs operate in a very competitive environment and the larger companies don't exactly help matters through their multiple sourcing deals—so in terms of funding, SMEs are on a very tight leash." The lack of financial muscle has hurt the SME sector more. "Bigger companies have far more clout in the markets they operate in and also with the banking and financial institutions to cushion the impact. Not so with the SMEs," says Salil Singhal, Chairman, National MSME Council of the Confederation of Indian Industry. But, as Kapoor says, the slowdown is not without its opportunities: use of IT could improve efficiencies and their size gives them flexibility.

THE WINNERS OF THE BT-YES BANK SME AWARDS

Star SME
Anupam Industries

Star CEO
Vinayak Chatterjee

SME for Best Corporate Governance
Omnitech Infosolutions

Innovator of the Year
Kavveri Telecom Products

Best SME for Corporate Social Responsibility
Jaipur Rugs Company

Green SME
Nandan Biomatrix

45 % of the manufacturing output and 40 % of national exports are by the SMEs



Nand Kishore Chaudhary, CMD:
"We have tried to collaborate the best of East
with the Western world"

SATISH KAUSHIK

WEAVING RELATIONSHIPS

Taking care of its stakeholders—the artisans—has ensured that if not its carpets, the company will surely keep flying high. **MANU KAUSHIK**

Back in late '70s, Nand Kishore Chaudhary turned down the job of a cashier in the United Bank of India branch to start his own tiny carpet manufacturing unit with just two looms and a few artisans—an industry starved of skilled workers and littered with malpractices. "Considering that the industry size was insignificant with huge pent-up demand, the growth potential looked promising," recalls Chaudhary, CMD, Jaipur Rugs Company. The first thing he did was to

remove the exploitative middlemen from the whole process. This helped weavers to not just raise their incomes, but gave them direct access to the company.

In 2004, JRC started an NGO, Jaipur Rugs Foundation, for weaver's training and skill upgradation to make its products compatible with the international market. "We identified huge gaps in the carpet industry in terms of lack of skilled manpower. Being one of the big players, we realise that by filling these gaps, we will be not only uplifting the lives of many artisans, but also producing good talent for us," he points out.

Once they get trained, weavers typically earn between Rs 100 and 120 per day as compared to the measly Rs 30 they used to pocket with the middlemen in the picture. "We have tried to collaborate the best of East with the Western world through the development of a global supply chain, built around mobilising human skills," explains Chaudhary. And the loyalty of the weavers means that it's not just a good business, but also an astute one.

Jaipur Rugs Company

Turnover (2008-09): Rs 67.75 crore
PAT (2008-09): Rs 2.06 crore
No. of employees: 210
(in association with 40,000 artisans)
Year of incorporation: 1990
Headquarters: Jaipur
COMPANY PROFILE: Manufactures and promotes hand-knotted rugs

**SME
FOR
BEST
CORPORATE
SOCIAL
RESPONSIBILITY**

WIN SOME, LOSE NONE

The first ever *Business Today*-YES Bank SME Awards honoured the achievements of India's small and medium scale enterprises—some of whom are doing things differently and some, well, are doing different things.



SATISH KASHIKER

Franksly, even some of us at *Business Today* were a bit skeptical about the response at the first ever *Business Today*-YES Bank SME Awards ceremony. These initiatives, after all, take time to build up their brand value and equity. But these were doubts that vanished as the evening of July 9 gathered momentum, leaving barely standing room as guests spilled over into the buffet service area, making it challenging for the hotel staff to serve the food. The venue, of course, was the Kamal Mahal at ITC Maurya, Delhi, and the function got under way as soon as the Minister for Commerce and Industry Anand Sharma arrived at the appointed hour—8:00 p.m.—and he was welcomed by Aroon Purie, Editor-in-Chief, *India Today* Group, Rana Kapoor, Founder, MD & CEO, YES Bank and Rohit Saran, Editor, *Business Today*.

If there was any nervous energy, it soon dissipated as the event began with clockwork precision. While events like these are normally used as networking opportunities, the *BT*-YES Bank SME Awards Ceremony was an attempt to put the spotlight firmly on a hitherto ignored sector of the

economy. The names of the winners, which had been selected by an eminent jury earlier, were kept confidential till the time of the ceremony, only adding to the drama.

Aroon Purie highlighted the contribution made by SME entrepreneurs in terms of innovations. SMEs, as he rightly pointed out, are an extension of the entrepreneur's personality and as such, their survival is closely intertwined with the ability of the entrepreneur to improvise. "In India being an entrepreneur has its own excitement and challenges—some of you may call it frustrations. Till recently it would take the patience of a saint and perseverance of a camel to be an entrepreneur in India," he quipped.

As Purie rightly pointed out, many of India Inc.'s stalwarts of today were in fact SMEs when they started off. "Dhirubhai Ambani started with a firm call 'Majin' located in a 350-sq-ft room. M.S. Oberoi started from a small Clarke Hotel in Shimla. Jamssetji Tata started with a small trading firm. So, the question is not whether you are small, but whether you are smart. A smart business will grow however small it may be. A business that has ceased to be smart, will go extinct,

(L to R) Aroon Purie, Editor-in-Chief, *India Today* Group, R.H. Kasturi, Kavveri Telecom, winner of Innovator SME of the Year, Vinayak Chatterjee, Feedback Ventures, winner of Star SME CEO, N.K Chaudhary, Jaipur Rugs, winner of Best SME for CSR, C.S. Jadhav, Nandan Biomatrix, Anand Sharma, Union Minister of Commerce and Industry, Rana Kapoor, MD & CEO YES Bank, V. Bhaskar Rao, Nandan Biomatrix, winner of Green SME, Mehul Patel, Anupam Industries, winner of Star SME, Atul Hemani, Omnitech Infosolution, winner of Best SME for Corporate Governance

no matter how big it may be," he pointed out.

Accepting the award, Vinayak Chatterjee, winner of Star SME CEO, said: "I think the longest journey in the world begins with the smallest first step. I run a company that participates in the infrastructure sector and the fact that sector is also getting recognised after many years of India's Independence is extremely heartening." Echoing the upbeat mood at the event, Mehul Patel, winner of Star SME, said: "There is a huge potential for Indian SMEs to become global in the future." ©

MINISTER SPEAK



"TAPPING ENTREPRENEURIAL COMPETITIVENESS"

We have 42 million people working in the SME sector—that's more than the population of many countries. They build institutions and provide leadership. Forty per cent of our industrial growth comes from this sector and 40 per cent of India's exports are from SMEs. Many of these industries are also labour intensive.

This is a challenging time given what's happening in the world for which we are not directly responsible, but victims we all are. The economic downturn has definitely hurt economies across continents. We live in a world which is interconnected and interdependent. We have left behind those times when we were insulated. We have to remember that globalisation brings with it opportunities and challenges. It has opened new markets, provided access to our industries, our manufacturers and now even our service sector. But there is also increased competitiveness as entrepreneurs from other countries are also testing boundaries. They are also competing, which is always healthy. But what we see today is a temporary phase. We hope there will be a turnaround soon. We in the government realised that during difficult times we have to ensure that our industry, particularly SMEs, are not overwhelmed by the economic downturn and given all support and incentives.

The decisions of the government may be adequate for many and not adequate for some, but yes, it has helped in stopping the downward slide, particularly in exports. It's not that they have gone up as they have been going down since October. In the last three months, the figures indicate that surely the worst appears to be over. We are still negative when it comes to export growth, but it may be 6-7 per cent less than what it was three months before.

We have to dream big, only then can we reach where we aspire to be. Truly, those who are present in this room, many of you achievers, you have that in you. You have that faith, you have that confidence, you have creative minds and you have the commitment, not only in your field in which you are, you have the commitment to the country.

I wish you well.