



# Industrial View

First and only platform for MSMEs

VOLUME 01

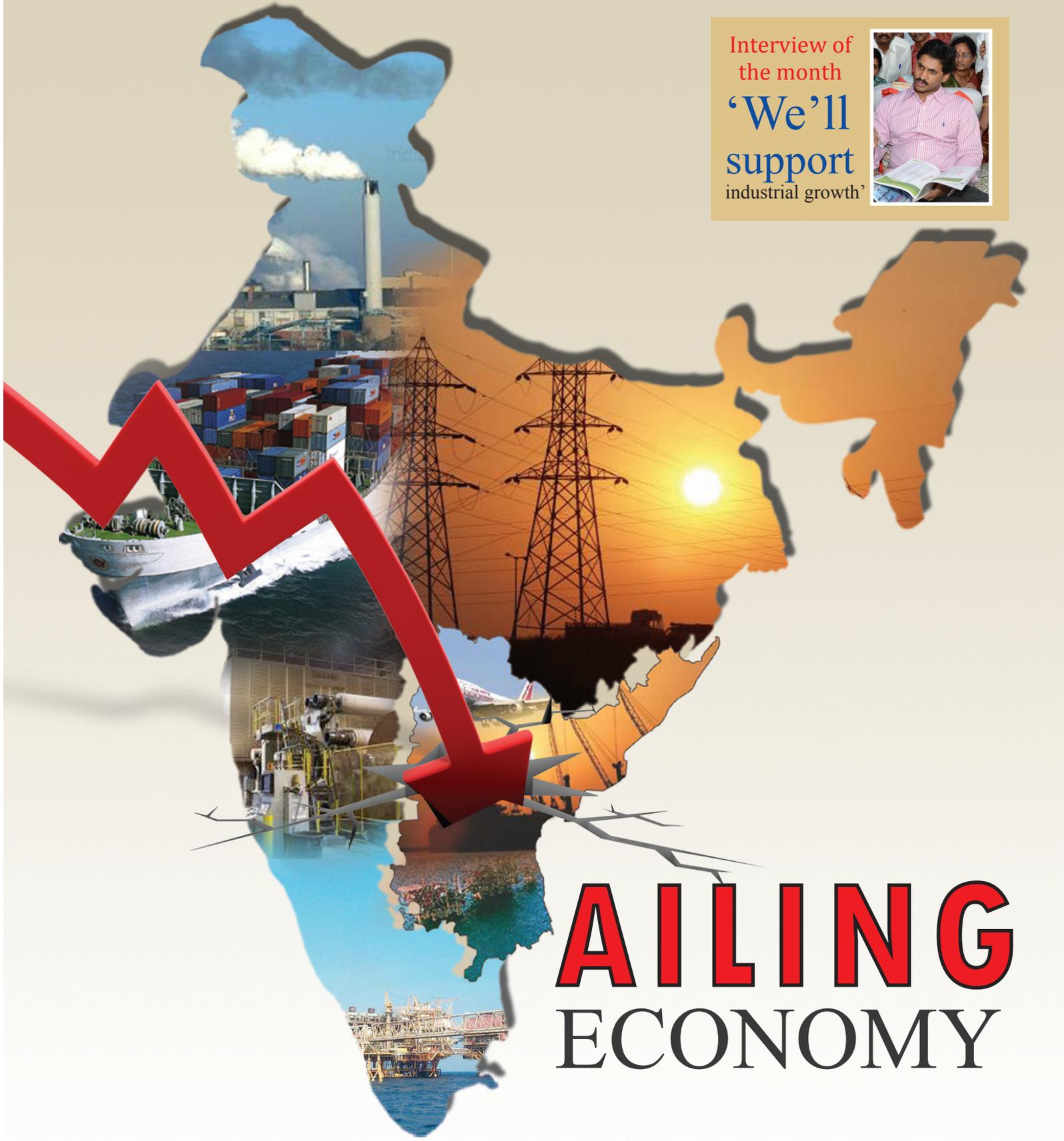
ISSUE 06

HYDERABAD

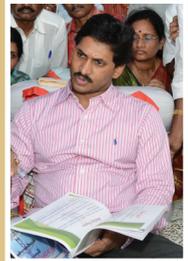
NOVEMBER 2013

PAGES 72

Rs. 100



Interview of  
the month  
**'We'll  
support  
industrial growth'**



# AILING ECONOMY





# CORPORATION BANK

## WELCOMES YOU

### Financing Small & Medium Enterprises

#### **SME Schemes**

CORP SME TEXPLUS SCHEME  
CORP SME AUTO PLUS SCHEME  
CORP SME RECEIVABLE FUNDING  
CORP TERM PLUS  
SME LIQUID PLUS SCHEME  
CORP SME GOLD CARD SCHEME  
CORP SME CREDIT CARD RECEIVABLE FUNDING  
CORP COLLATERAL FREE LOAN SCHEME  
CORP COMMERCIAL VEHICLE LOAN SCHEME  
CORP GOLD BUSINESS LOAN

**Small & Medium Enterprises are the driving engines for the  
Banking Industry and the Nation.**

**CORPORATION BANK**

D.No. 15/196, BRINDAVANAM, NELLORE - 524001,

Ph: 0861-2337057, E-mail: cb8826@carpbank.co.in, Website: www.Corpbank.in

**कार्पोरेशन बैंक**  **Corporation Bank**

# Contents

Interview of  
the month  
**'We'll  
support  
industrial growth'**



8



**Ailing economy**

10



**Banks apathy towards  
MSME sector continues**

30



**Powerhouse  
of production**

50

*The jurisdiction of court cases pertaining to the items published in Industrial View will only be Hyderabad (the place of its publication). Cases of other jurisdictions will not be entertained.*

**- Editor**

**news Zone**

67

RAGHURAMA RAJU KALIDINDI  
MEDIA CONSULTANT  
9849350555

PRINTED & PUBLISHED BY ARANI PRASANTH KUMAR REDDY ON BEHALF OF FEDERATION OF SMALL AND MEDIUM ENTERPRISES OF ANDHRAPRADESH, PRINTED AT HARSHITHA PRINTERS, 6-2-985, YOUSUF BUILDING, KHAIRATABAD, HYDERABAD - 04. PUBLISHED AT FEDERATION OF SMALL AND MEDIUM ENTERPRISES OF ANDHRA PRADESH, FLOT.No. G1, DWARAKAMAI APART, HINDI NAGAR, DWARAKAPURI COLONY, PANJAGUTTA, HYDERABAD, A.P.  
EDITOR : ARANI PRASANTH KUMAR REDDY



(L to R) Shankarachary, Cherlapally, ILA executive member and FSME-AP advisor, G Prasad Kumar, minister for HTLTSSI, APK Reddy, President, FSME-AP and editor, Industrial View, N Kiran Kumar Reddy, CM, AP, Sudheer Reddy, Secretary, ILA, Cherlapally and M V Rajeshwar Rao, CEO, CREDAI at the launch of the magazine at CM's chamber



Guest of Honour, Shri APK Reddy, President FSME-AP, accompanied by MB Ganesh, Zonal Manager, Corporation Bank, Nellore, lighting the lamp at the SME Expo conducted by The Corporation Bank at VRC Centre, Nellore, Andhra Pradesh



## FSME-AP

### Launch of Industrial View

Chief Minister N Kiran Kumar Reddy launched Industrial View on 22 June, 2013. The CM handed over the first copy of the inaugural issue to MSME minister G Prasad Kumar.

Speaking on the occasion, the chief minister said, "A magazine for the MSME sector is a welcome development and the need of the hour."

M V Rajeshwara Rao, Former Secretary General FAPCCI and advisor to FSME-AP, Sudeer Reddy, Secretary, Cherlapally Industrial Local Authority, Sankarachary, Cherlapally, ILA executive member and FSME-AP advisor were also present on the occasion.



**APK Reddy**

## Save SMEs, save economy

**W**hat are the prime objectives of economic development? Different governments chalk out different policies to achieve their desired goals. Generally, however, aspects like a faster growth of national income, alleviation of poverty, and reduction of income inequalities are incorporated in the economic policies. But how is industrialisation expected to contribute to these goals? The experience of industrial economies shows a close association between development and industrial expansion.

But industry is also thought to provide certain spillovers which would benefit other activities: enhancement of skills, training of managers, dispersion of technology, etc. Moreover, pessimism about the prospects of food and raw materials led to the substitution of domestic for imported manufactured goods as many countries thought this to be most promising route to development.

Economists and policymakers in the developing countries have long agreed on the role of government in providing infrastructure and initiating stable macro-economic policies. But they have differed on policies toward trade and industry. The form of governmental intervention in this area is the distinguishing feature of alternative development strategies.

A convenient and instructive way to untie the complex issues of appropriate trade policies for development is to set these specific policies in the context of a broader Less Developed Countries strategy of looking outward or inward.

Outward-looking development policies encourage not only free trade but also the free movement of capital, workers, enterprises, the multinational enterprise, and an open system of communications. That is what happening in India especially in Andhra Pradesh. The state govern-

ment's skewed policies were hampering growth of the industrialization.

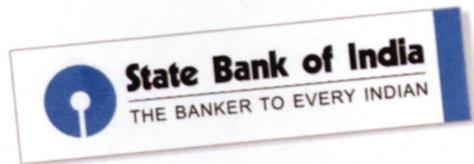
Comparing to neighbouring states like Maharashtra, Tamil Nadu and Karnataka, the state of Andhra Pradesh though endowed with rich natural resources and other infrastructural facilities, is losing its sheen due to the lop-sided policies and political uncertainty.

The major setback for the industrial growth in this state is lack of co-ordination among government, financial department, industrial department, power generation and power distribution companies. The dismal scenario saw the number of SMEs being converted into NPAs (Non Performing Assets) and lakhs of employees were thrown out of their jobs from 2009-2013.

Industrial and trade bodies had made several representations to State and Central governments regarding the sad plight of the industries especially SMEs. But all pleas and representations to the government fell on deaf ears.

Suggestions made in SLIIC meeting, conducted by RBI Regional Director and SLBC, were thrown confined to dustbin, with their implementation going awry. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI), 2002, allows banks and financial institutions to auction properties (residential and commercial) when borrowers (entrepreneurs) fail to repay their loans. It enables banks to reduce their non-performing assets (NPAs) by adopting measures for recovery or reconstruction. This has come in handy for the bankers to blatantly misuse against the failing entrepreneurs as the former utterly failed to identify the willful and non-willful defaulters.

It is high time for the governments to intervene and resolve the problems that are haunting the SMEs and save this sector from the brink of collapse. For, small units can play a big role in impacting the economy of the nation.



**COLLATERAL-FREE LOANS TO MSME (MANUFACTURING AND SERVICES)**

**NO COLLATERAL?  
NO THIRD PARTY GUARANTEE?  
A LOAN UPTO ₹ 1 Crore?**



**NO PROBLEM.**

**SBI OFFERS LOANS WITHOUT SECURITY  
AT CONCESSIONAL RATES OF INTEREST**

**What's more, the guarantee fee to be paid  
to CGTMSE is also paid by the Bank!**

**For details Please Contact your nearest SBI Branch**

**N.KIRAN KUMAR REDDY**



**Chief Minister**  
Andhra Pradesh

Hyderabad  
12-06-2013

## **MESSAGE**

I am happy to learn that Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) is coming out with a monthly magazine this month. I am told that the new magazine "Industrial View" would encompass issues pertaining to the sector. I am happy that the endeavour is to facilitate the services that meet the uncompromising standards of excellence. The vision is to become a valuable knowledge partner for key agencies and organizations operating in the sector.

I am happy to learn that the aim is to present the cutting-edge information on latest happenings, topical issues, current trends and burning topics in the most lucid and coherent way possible and reach out to the industrial fraternity by presenting information and starting a dialogue on contentious issues that plague the sector. I am happy that the magazine wishes to bring all stake holders on to one platform to voice opinions and find solutions

I wish the magazine all success.

*Kiran Reddy.*  
**( N.KIRAN KUMAR REDDY )**

# ‘We’ll support industrial growth’



*Industrial View editor APK Reddy interviewing YSRCP chief YS Jagan Mohan Reddy during his fast untill death for Samaikyandhra at Lotus Pond.*

**P**olitical equations are fast changing and elections are round the corner. With the bifurcation of the State and following protests in Seemandhra, the political future seems to be uncertain and leaders of all parties are leaving no stone unturned to see their positions are safe. Ministers and elected representatives are quitting one camp and joining the other while election strategists are making plans to ensure the win.

YSR Congress Party which is one of the toughest competitors to the ruling party and the opposition in upcoming elections has a crystal clear agenda. The YSR scion YS Jaganmohan Reddy is all out to support the deceased industries and wailing farming sector.

During his Samaikya Deeksha to keep unite Andhra Pradesh, Jagan shared some valuable points with our editor A Prashanth Kumar Reddy.

**Here are some excerpts:**

***The industrial sector in Andhra Pradesh is in doldrums. How do you look into this and what is your comment?***

It is simply because of the hasty decisions taken by the Central and State governments for the last four years. Earlier, during YS Rajasekhara Reddy's time, the industrial growth in Andhra Pradesh was tremendous. YSR signed on the file of seven hours un-interrupted power to agriculture, after coming into power. Slashed power tariff to large and small-scale industries. Encouraged industrial policies with 25 paise interest and subsidies. There is no doubt and it was clear to all. He had a vision to serve this sector which can create job and financial opportunities. He also slashed the power tariffs (all time-low in the history of Indian industries) to the industrial sector. But, after his demise,



they (Congress leaders) are showing it as crime. Is it a crime providing water to industries? They put me in jail for this cause. See how the changes were made by the Central and state governments. Even CBI quoted that there was nothing called quid-pro-quo, but the government is making it as a serious offence and torturing industrialists and me for supporting them. How painful it is. But we are desperate to support the industrial growth as they did it in YSR's time. Kadapa Steel Plant, Krishna Patnam Port, Bellary to Krishna Patnam Rail/Road connectivity, Chittoor, Bramhani Steel Kadapa are the some of the examples of YSR development plan. He also released the amount of Rs.300 crore for SC, ST entrepreneurs (subsidies of 35% to men and 40% to women entrepreneurs) under the State-level credit guarantee scheme.

***55 lakh crore rupees were converted into NPAs (Non Profit Assets) that is affecting literally three crore of people in the state directly and indirectly, how can you help these NPAs?***

Bifurcation of state will increase this problem. So, we are demanding the Central and state governments to re-schedule the NPAs. Soon after coming into power, this issue will be among our top priority.

***State government has Rs. 20 ,000 crores dues to power distribution companies (only for industries.) What will be your contribution in solving this problem.***

I will assure the industries and related departments that we (YSRCP delegation) will meet the Union Finance Minister, Power Minister and MSME Minister and explain them about the problem. We demand them to solve the power crisis which is mainly affecting the MSME sector. Assured to call for a meet with industrialists and Associations to discuss the issues.

---

# AILLING

## economy



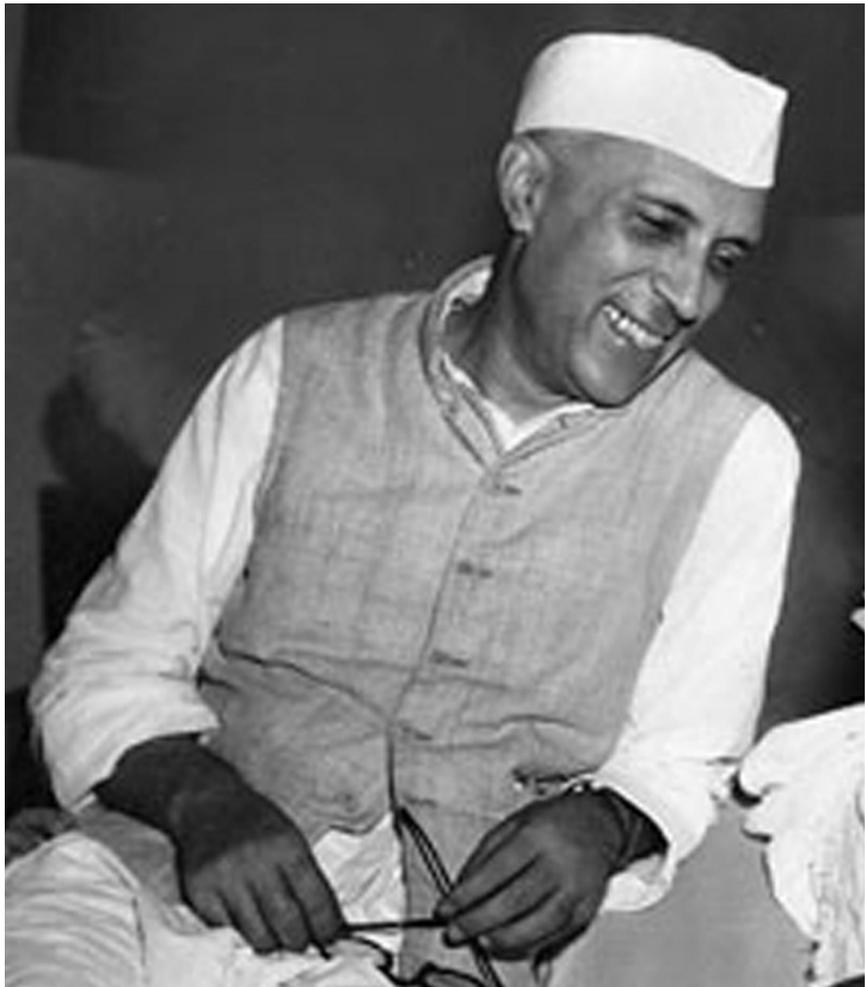
Though struggling to get out of myriad problems that are dogging the Indian economy, the country can still be a powerhouse of industries, only if it makes major upgrades to its roads, ports and power systems. It needs to reform its labor laws and business regulations too. But as the country is already in election mode, the weakness and turbulence are likely to persist for some more time

## ILLS OF INDIAN ECONOMY

**T**imes are bad. Indian economy is reeling under rising inflation, budgetary deficits, slow growth and the terrible fall of rupee, high rates on imported goods and many other ailments. Economic experts, think tanks and the bosses in the corridors of power are racking their brains to find a solution to the alarming problem.

This unexpected damage comes at a time the entire world was keenly observing the economic potential of India's vast population and expecting our economy to be the world's largest by the next decade, thanks to the strong central planning and economic controls envisaged by Pandit Jawaharlal Nehru and other socialist founders of the nation.

This is the time social scientists and economists are talking



"There comes a time in the life of every nation when it stands at the cross-roads of history and must choose which way to go. But for us there need be no difficulty or hesitation, no looking to right or left. Our way is straight and clear—the building up of a socialist democracy at home with freedom and prosperity for all, and the maintenance of world peace and friendship with all nations."

Lal Bahadur Shastri

about industrialization. According to experts, industrialization is the process of social and economic change whereby a human group is transformed from a pre-industrial society into an industrial one. It is also a means of modernization.

The problems of economic development can only be solved by industrialization as its main objectives are reduction of income inequalities, growth of national income and alleviation of poverty. Development and expansion are closely associated as revealed by the experience of certain industrial nations.

Though during the Raj India followed a non-industrial model, several experts believed that the true progress lied in industrialization alone.

It was none other than the then Prime Minister Jawaharlal Nehru who was most outspoken advocate of industrialization in the early years of Indian independence. Nehru, being an ardent believer in modern science and socialism, believed that industrialization held the key to India's success as an independent nation.

Nehru focused on two types of projects, both of which required large-scale mobilizations of capital and labour and the importation of foreign technical expertise: steel mills and dams. It was he who



Two major shifts took place under Indira Gandhi. First, the agriculture was revived leading to green revolution and secondly, further tightening of state control over every aspect of the state economy. She nationalized banks, restricted trades, controlled prices forced on variety of products and reduced the inflow of foreign investment.

launched the first of India's Soviet-style Five Year Plans way back in 1952.

While working on promoting industrialization, Nehru took a different route from the course taken by his predecessor Mahatma Gandhi. In Gandhi's vision for independent India, the village would serve as the basis for Indian life.

Industrialization not only offered self sufficiency to the nation but also promised external economies accruing from its industrial growth. This period gave priority to heavy industry and viewing the potential of agriculture and exports to be limited. For the administrative control on industrial competence, the government formulated Industrial Development and Regulation Act (IDRA) in 1951.

Then came the Import Trade Control Order of 1955, that restricted almost all imports in the form of import licenses. Involvement of Indian state in industrial development was extensive as the key industries were under the states' control.





Lal Bahadur Shastri who came after Nehru followed the same footsteps regarding industrialization.

Later, two major shifts took place under Indira Gandhi. First, the agriculture was revived leading to green revolution and secondly, further tightening of state control over every aspect of the state economy. She nationalized banks, restricted trades, controlled prices forced on variety of products and reduced the inflow of foreign investment. Till 1973, everything seemed perfect and was the golden era for the Indian Industries.

Foreign Exchange and Regulation Act of 1973 literally shut out the inflow of new technology from abroad into India during the 70s and 80s. After World War II most of the developing countries followed the policies of inward looking industrialization and India was one of them.

Mild trends towards deregulation started in early 1980s. Various economic reforms were initiated liberating trade, financial and industrial policies and at the same time subsidies, tax concessions and the depreciation of the currency enhanced export incentives.

GDP grew over 5% during 80s as compared to 3.5 % during 1970s. However, the quantitative restrictions and the tariffs continued to be among the highest in the

Rajiv Gandhi wanted to liberalise the economy, end the licence-permit Raj. To transform the society, he established six technology missions - to make available drinking water in all villages in the country, to promote literacy, usher in a White Revolution, and promote health care.

With the entry of PV Narasimha Rao as Prime Minister, the Indian economy underwent a drastic change. Rao launched major social reform in July 1991 in which the government committed itself to encouraging a competitive economy that would be open to trade and foreign investment.



world. India's foreign trade reserves were exhausted by mid 1991 due to the restrictive policies and continuous discouragement of foreign investment.

With the entry of PV Narasimha Rao as Prime Minister, the Indian economy underwent a drastic change. Rao launched major so-

cial reform in July 1991 in which the government committed itself to encouraging a competitive economy that would be open to trade and foreign investment.

Government's influence on corporate investment decisions was reduced, industrial licensing system was dismantled, the areas

closed to public sector such as areas of the oil industry, electricity generation, heavy industry, roads, air transport and some telecommunications were opened up. The economy opened for foreign investment.

Noteworthy reduction in the import licenses and tariffs, re-

removal of subsidies for export and beginning of foreign exchange market opened gates for global integration. Ever since 1993, trade is completely free except a small list of exports and imports that are restricted and after the monetary reforms in 1995, rupee can be considered fully convertible currency at market rates.

In the late 90s, the Indian industry has recorded a remarkable growth in the past decade and a half. The number of industries has doubled in the last fifteen years. Various programs were devised and started to build up adequate infrastructure for rapid industrialization.

The industrial policy revolving around the core factors like industrial Entrepreneurs memorandum, industrial licensing, environmental issues, locational policy and policy regulating to small scale undertaking have helped the Indian industries to grow rapidly.

But bLater, Atal Bihari Vajpayee promoted the educational sector by making primary education compulsory and encouraging women to study will aid in developing the economy. He also implemented the same policies which were launched by PV Narasimha Rao.

Atal Bihari Vajpayee promoted the educational sector by making primary education compulsory and encouraging women to study will aid in developing the economy. He also implemented the same policies which were launched by PV Narasimha Rao.



**Prime Minister Manmohan Singh's policies also helped Indian industries to have a good time and cherished with good benefits and subsidies in the beginning. But things started to take a U-turn and problems became deep and stubborn, all the country's own making.**

Prime Minister Manmohan Singh's policies also helped Indian industries to have a good time and cherished with good benefits and subsidies in the beginning. But things started to take a U-turn and problems became deep and stubborn, all the country's own making.

The UPA government, which took charge of things in 2004, has made two Himalayan blunders. First, it took for granted that growth was on autopilot and failed to address serious structural problems. Second, flush with revenues, it began major redistribution programs, neglecting their consequences: higher fiscal and trade deficits.

India's unusual model of economic development relied on a limited pool of skilled labor rather than an abundant supply of cheap, unskilled labor. The country specialized in call centers, writing software for European companies and providing back-office services for American health insurers and law firms and the like, rather than in a manufacturing model. Other economies that have developed successfully — Taiwan, Singapore, South Korea and China — relied in their early years on manufacturing, which provided more jobs for the poor.

The development of India into a modern industrialized nation is slow but continuous process. India should aim to develop suitable



**Nandamuri Taraka Ramarao reflected socialist and populist views in several of his policies and provided basic necessities such as home, clothes and food and subsidies on them for people below the poverty line. He was also an advocate of women's rights and worked on a bill to amend inheritance law to provide equal rights for women to inherit ancestral property**



environment for industries to flourish, it should to improve the quality of education, should provide appropriate compensation to farmers whose lands are acquired for setting up industries, avoid political dogma and improve the labor market to help industrialization flourish.

Coming to Andhra Pradesh, Congress chief ministers always worked according to the Centre's suggestions. However, Jalagam Vengal Rao, Kotla Vijaya Bhaskar Reddy and later

NT Rama Rao helped the state industries with subsidies and encouraged Welfare, Tourism.

During Kotla Vijaya Bhaskar Reddy tenure, PV Narasimha Rao allocated 13,500 crores to the development of Hyderabad.

Undoubtedly all credit of the tremendous economic growth of

Andhra Pradesh in the past decades goes to both Chandra Babu Naidu and late YS Rajasekhara Reddy.

Chandra Babu Naidu's vision 2020 for state's development welcomed IT, Pharma, Education and other Industries with red carpet to the state. MNCs

Company	Earth in Acers	Value in Cross
Raheja	109	2,110
vizag pharma city	2,143	10,372
Aga khan foundation	100	1,936
Catalyst software	50	968
Infosys	50	968
Microsoft	42	813
Wipro	30	580
Computer associates	30	580
Hitech city	80	1,548
IVRCL	50	968
IT park Manikonda	49	948
Maheshwaram IT Park	18	348
Madhapur IT Park	9	174
IMG Bharat	850	16,458
Shamshabad Airport	5,500	79,860
Gangavaram port	1,800	8,712
Kakinada Port	354	1,713
Krishnapatnam Port	2,000	9,680
Malaysia Township	35	508
Singapore Township	80	193
Emaar Properties	535	10,357
Dabur	1,000	100
Orient cement	820	8
Bechshand tri maks	1,700	10,000
Polapally sez	1,200	120
Kakinada Sez	8,000	400
<b>Total</b>	<b>26,634</b>	<b>1,60,420</b>



were glad with good packages and there were huge employment opportunities in Hyderabad and other parts of the state.

Even the then US President Bill Clinton made international headlines with his visit to Hyderabad on the invitation of Chandra Babu Naidu. It attracted the attention of global entrepreneurs towards Hyderabad.

But unfortunately, Naidu ensured development only in and around Hyderabad and ignored agricultural industry that caused him the damage and YS Rajasekhar Reddy grabbed the power with the slogan of development in all aspects.

YSR provided seven hours un-interrupted power to agricultural industry. He also slashed the power tariff to all large-scale and small-scale industries that helped renovation of industrialization in the state. He encouraged this sector with the best ever industrial policies like 25 paise interests and subsi-

**Chandra Babu Naidu's vision 2020 for state's development welcomed IT, Pharma, Education and other Industries with red carpet to the state. MNCs were glad with good packages and there were huge employment opportunities in Hyderabad and other parts of the state.**

After coming into power, YSR signed on the file of seven hours un-interrupted power to agricultural industry. He also slashed the power tariff to all large-scale and small-scale industries that helped the renovation of industrialization in the state. He encouraged this sector with the best ever industrial policies like industrial loans to SC/STs (35% subsidy to male-40%to female), 25paise interest to MSMEs.

His pet schemes like Fees Reimbursement, Rajiv Aarogyasree, and Jalayagnam (irrigation projects), implemented 4% reservations to minorities hailed by all US president George W Bush.



## Dr YS Rajasekhar Reddy's 'Industrial View'

Sl No	Name of Developer	Type of SEZ	Location	District	Date of Notification	Total Extent (in Acres)	Total Extent (in Hec)
1	APIIC Ltd.	IT / ITES	Madhurawada	Visakhapatnam	28-Dec-06	88.92	36.00
2	APIIC Ltd.	IT / ITES	Madhurawada	Visakhapatnam	11-Apr-07	39.52	16.00
3	APIIC Ltd.	Multi Product	Atchyutapuram	Visakhapatnam	12-Apr-07	5449.00	2206.03
4	APIIC Ltd.	IT / ITES	Nanakramguda(V) Serilingampalli (M)	Ranga Reddy	25-Apr-07	50.71	20.53
5	APIIC Ltd.	Formulation	Rajapur & Pollepalli(V), Jedcherla (M)	Mahboobnagar	13-Jun-07	250.00	101.17
6	APIIC Ltd.	Hardware	Maheshwaram(V) Maheshwaram(M)	Ranga Reddy	25-Jul-07	275.00	111.00
7	APIIC Ltd.	Biotech	Karakapatla(V), Mulugu (M)	Medak	25-Jul-07	100.00	40.47
8	APIIC Ltd.	IT / ITES	Madikonda(V), Hanamakonda(M)	Warangal	12-Dec-07	35.00	14.32
9	APIIC Ltd.	IT / ITES	Sarpavaram(V), Kakinada(M)	East Godavari	09-Jan-08	25.71	10.41
10	APIIC Ltd.	IT / ITES	Kurukalva(V), Renigunta(M)	Chittoor	24-Jan-08	80.45	32.57
11	APIIC Ltd.	IT / ITES	Putlur (V)	Kadapa	15-Feb-08	52.76	21.36
12	APIIC Ltd.	Aero Space and Precision Engineering SEZ	Adibatla(V), Ibrahimpatnam(M)	Ranga Reddy	24-Dec-08	250.00	101.17
13	APIIC Ltd.	Multi Product	Dwarakapuram, Pallepalem, Menkuru, Konetrakupalem and Palluchuru(V), Naidupet(M)	Nellore	16-Feb-09	2550.05	1032.41
14	APIIC Ltd.	IT / ITES	Gambheeram (V)	Visakhapatnam	24-Apr-09	50.00	20.23
15	APIIC Ltd.	Biotech	Pulivendula	Kadapa	24-Aug-09	77.00	31.17
16	APIIC Ltd.	Building Product	Annangi(V), Maddipadu(M)	Prakasham	08-Sep-09	262.71	106.36

dies and cash incentives to SC/STs to promote SMEs.

The biggest ever Port Corridor in India (connecting Krishna Patnam – Vanpic – Machili Patnam – Gangavaram – Kakinada – Vizag through road on sea bank) was in his mind. He also asked the bureaucrats and industrialists to develop the blue print. Agricultural Industry took the major benefit during his tenure. His vision towards water management was excellent.

Present Chief Minister Nallari Kiran Kumar Reddy is also desparate in the development of industrial sector especially MSME sector. He assured industrialists that his government planning to take several shot-term measures including

900 MW power from outside sources to overcome the power crisis. It is definitely a big relief to cottage and small scale industries.

The situation will ease in the month of October when the Krishnapatnam 1st stage is completed which will ensure 800MW power supply. Similarly 2nd stage will be completed by December and 520 MW power from Hinduja power plant will be ready by the year end.

The Chief Minister asked the officials to encourage power entrepreneurs who are willing to set up solar power plants as per the norms prescribed by the group of ministers. He also asked the NEDCAP officials to take up roof top solar net metering on a pilot basis on government

*Dr BR Ambedkar was the first Indian to pursue Economics doctorate degree abroad. According to him the industrialization and agricultural industry growth could enhance the economy of the nation. He stressed on money investment in the agricultural industry as the primary industry of India. Ambedkar's vision benefited the government in accomplishing the food security goal. He supported economic and social development of the society for nation's progress. His D.Sc. thesis "The problems of Rupee, its origin and solution (1923)" reveals the factors responsible for Rupee fall.*

**-Dr BR Ambedkar**



*Former Chief Minister and Union Shipping and Transport Minister, Kotla Vijaya Bhasker Reddy is credited as the man of value based politics. He had strived for the growth of the industries in Andhra Pradesh. He was a highly public spirited politician and an excellent parliamentarian and towering personality respected by all sections of the society.*

**-Kotla Vijaya Bhaskar Reddy**

welfare hostel buildings. It was also decided to take up the issue of fixing rate on the solar power supplied to the government by individual (household) power producers.

But the recent developments in Andhra Pradesh effected the growth of all sectors. From last one year industrial sector has been dogged by power problems and the number of SMEs is on the verge of disappearance.

SMEs worth Rs 50,000 crores were already converted into NPAs (Non-performing Assets). If, the situation continues 60 lakh employees (only in Industries) will lose their livelihood and directly and in-directly affect the lives of not less than 3 crore people in this State.

Here, we have some suggestions.

If bifurcation of the state happens, the central government should look into the interest of development of Andhra, Telagana and Rayalaseema regions that they should accept the below given three point formula.

Central Excise Tax, Service Tax and Income Tax collection from these regions (for 20 years) should be used for the development of the respective regions. That will be an end to the fund-rising programmes.

CET, ST and IT are to be exempted to the new and existing units for five years in all three regions.

Granting Railway Warn Work Shop to Telangana and NIMZ, IFFCO SEZ to Andhra region will help in development.

We are one among the developing nations in the World. So that we should resolve our problems in national and regional level for the industries and go ahead with future plans. The Central and State governments should look into this issue and solve all the problems as early as possible.



**The security of all the Industries is being taken care of and don't want any hurdle or problem to come to the Industry. IT industry in Andhra Pradesh making steady growth and is a significant contributor to socio economic development in our State”  
Chief Minister, Kiran Kumar Reddy.**



# AP Inc rues lack of incentives for SMEs

**THEY ALSO BLAME HIGH INTEREST RATES AND POWER SHORTAGE FOR THE PLIGHT OF THE SMALL AND MEDIUM ENTERPRISES IN THE STATE**



**Geeta Reddy addressing the entrepreneurs at the event organized by the Hans India**

**R**epresentatives of various industries bodies, who spoke at the one-day conference on 'Revitalising the SMEs' organized by The Hans India, were categorical in saying that small and medium enterprises lacked adequate incentives despite their pivotal role in the country's economic growth. They also cited inadequate power, high interest rates and lack of access to easy credit as the prime reasons for the poor performance of SME sector in the State as well as across the country.

"Many IT companies such as Infosys and TCS have begun their journey as SMEs and grown into multi-billion dollar entities now. But unfortunately, governments are not focusing on SMEs now and there are no incentives to start a small or medium enterprise," JA Chowdary, Co-Chairman, Andhra Pradesh State Council, FICCI, Said.

Speaking at the inaugural session of the conference, Chowdary, who is also Executive Chairman of Talent Sprint, lauded the efforts of former Prime Minister PV Narasimha Rao, which fuelled phenomenal growth of IT industry in the country. "IT sector has now become

\$100 billion industry primarily because of his initiatives like STPI. Nearly 99 per cent of IT companies in the country are SMEs, but big giants walk away with all the incentives that government provides," he explained. Stating that India is home to 28.7 million SMEs that employ close to 60 million people, K Ramadevi, President, ALEAP, has lamented that this crucial sector which plays pivotal role in the country's economic growth has been neglected.

"Though we have proactive government policies, the lack of proper implementation is hampering the growth of SME sector. Besides, high interest rates of 14 per cent have also become bane for us," she said. She underscored the need for reducing interests on the loans given to SMEs. "There are some overseas institutions which are ready to extend finance to SMEs at 0.5 per cent interest rate. Government should work out a strategy in consultation with industry bodies of facilitate such funds to the SMEs in the State", she suggested.

She also underscored the need for more number of exclusive MSME clusters in the State. "Such clusters should be equipped with incubation and skill development centres," she added. APK Reddy, President, FSME-AP, founded fault with the government for encouraging new industrial units when there was no adequate power to the existing ones. "AP has 7 lakh SMEs that employ over 40 lakh people. Unfortunately, 90 per cent of them are sick now on account of power crisis that crippled the industrial sector for the past two years. Most of the units operated just 45 per cent of their production capacity," he pointed out.

He also said new NPA norms had become bane for the industries now. "NPA period reduced to three months from six months, scores of SMEs have turned into NPAs. The fact that nearly 1924 units have become sick between January and June this year indicates how grim the situation is," he explained. J Nageswara Rao, President, Fapsia, Said through there is abundant potential for the growth of SMEs in the country, this crucial sector which contributes nearly eight per cent to the GDP is the most neglected segment.

Underscoring the need for support the SME sector, he urged the government to set up separate SLBC (state level bankers' committee) for SMEs on the lines of the existing one for the agriculture. "This way, the government can conduct periodical review on the progress and problems of the SME sector in the State", he reasoned. He also sought for an exclusive ministry for SMEs in



APK Reddy receiving memento from Minister for HTLT, KVIC & MSMEs, G Prasada Kumar. Hans India Editor-in-Chief K Ramachandra Murthy also seen.

the State. Rao stated that interest charged on bank loans to SME sector should be less than 10 percent. "Banks are currently charging 14.5 per cent which is very high," he said.

Srinivas Ayyadevera, President, Fapcci, said all the SME entrepreneurs have great ideas, they lack technical expertise to preserve and monetize their intellectual property rights (IPRs). "We, Fapcci, have created IPR cells. It will be useful for SME sectors if all the industry bodies set up similar cells," he said.

P Soudamini, President COWE, called for special incentives for women entrepreneurs. "Women entrepreneurs face problems due to lack of access to credit and market. Therefore, they should be included

**FSME-AP thanking Editor-in-Chief, The Hans India, K Ramachandra Murthy for conducting a special programme on revitalizing SMEs.**

in the four per cent quota allocated for SC/ST industrialists in the procurement of materials by Union Government," she said.

The bankers and the financial institutions have asked the small and medium enterprises (SMEs) to be more transparent in their records and

disclose their financial problems well before they turn as non-performing assets.

Speaking at a technical session on "Finance and Credit flow", BK Sivaram, General Manager, State Bank of Hyderabad said, "If the SMEs submit their financial records before they become NPAs, it would be easy for the bankers to reschedule the loan and save the company."

He said that the banks are ready to take corrective measures only when they get the balance sheets of the unit submitted well in advance, however, most of the SMEs tend to delay submitting the balance sheets, and may be because they depend on the financial consultants, be pointed out.

# Submit accounts on time to avoid banks' default list

For instance, company's delay in presenting the balance sheets for 60 to 70 days, where a particular loan turns NPA, if the payment is not made in 90 days, as per RBI norm, he added. Further highlighting the flaws in their way of accounting, Sivaram said that the value of stocks submitted to banks differs with amount shown in the balance sheet. This would always create problem for the bankers while evaluating the financials of the company in sanctioning additional working capital.

He felt the problems are created by the entrepreneur himself, may be due to lack of banking and financial knowledge and proper guidance. Hence, he suggested the entrepreneurs to be in constant contact with their bankers and obtain their guidance in finance matters. Sivaram also suggested to the SME association to develop contingency fund in order to help financially weak members in meeting their short-term financial requirements.

While KV Kannan, General Manager, Andhra Bank, said, the trade associations should insist the government to see that the big corporate and public sector companies to pay their purchases from SMEs in 15 to 20 days credit.

"As of now, most of the SMEs are able to get the receivables only after 90 days credit, which is reason for most of the SMEs turn defaulters," he pointed out.

He also felt that the SMEs should expose their problems to



**Srinivas Ayyadevara addressing the gathering at Hotel Marriot**

bankers to get remedial measures before the loan turn measures before the loan turn NPA. "Banks have got some limitations and we have to follow regulations laid by the banking regulator," he said.

Replying to a query Kannan said there is no dearth of funds for supporting SME entrepreneurs, but they have to follow the stipulated regulations. But he contended that even they are small, they should

have financial discipline to excel in the business and in the process get support from bankers. B Sivaram, Deputy General Manager, National Small Industries Corporation, explained the financial schemes such as raw material supply, where the company will buy the raw material in bulk and supply to SMEs in small quantities.

“We extend finance for purchase of raw materials by charging low interest rate at than the bank interest,” he said. He further said, “We will pass on the benefits such as discounts etc, received from the suppliers and there is no stock inspection and easy documentation.”

**As of now, most of the SMEs are able to get the receivables only after 90 days credit, which is reason for most of the SMEs turn defaulters**

He wanted the SMEs to avail the facility and get benefit. APSFC Chief General Manager, Chengala Rayalu said that the corporation is now extending moratorium on loans up to a period of 1 to 2 years depending on the project, and Rs 1 crore loan will be sanctioned by the branch manager level only.

The Corporation, which maintains low NPAs, is offering loans to services and manufacturing units besides extending special focus to extending special focus to SC/ST entrepreneurs. “In deserving cases, we will reschedule the loans and even extend moratorium by one

more year,” he pointed out. The corporation is providing loan to the extent of 75 percent, while the promoter has to bring in 25 per cent, he said.

### ***Need to inculcate entrepreneurial spirit***

Officials from central government institutions and other experts underlined the need for inculcating entrepreneurial spirit among youngsters in the country. They said lack of risk-taking attitude among Indians is the main reason for the country’s inability to create more number of entrepreneurs then compared to other countries like the US.

Dr C Rani, Chief Administrative Officer, National Institute for Micro, Small and Medium Enterprises (ni-msme), who chaired the second and third sessions on ‘Technology Upgradation and Productivity’ as well as ‘Entrepreneurship and Skill Development’ at the one-day conference on ‘Revitalising the SMEs’ organized by the The Hans India, said not many people in the country are keen to become entrepreneurs. “The entrepreneurship rate is just 15 to 18 per cent in the country, which is very less. This is so because we are culturally not able to take risks,” she said B S Sastry, Aviation Engineer, who explained about business opportunities available in aviation sector, said that Indians should focus on high-end technology. “We have enough talent pool which is being used for multi-national companies. It is time Indian entrepreneurs are also in high-end technology segments such as aviation and aerospace,” he said.

**Lack of risk-taking attitude among Indians is the main reason for the country’s inability to create more number of entrepreneurs then compared to other countries like the US.**

C Radha Rani, Founder, Vijayawada based RR Sports, urged the government to encourage industrial sector in the State. “We should develop more and more industrial clusters in AP so that more number of SMEs will come up there by creating more employment opportunities,” she added.

G R Akadas, Director, MSME Development Institute, explained about various schemes offered by his institute for development of MSME sector in the country. “Besides several innovative schemes, we also extend financial help to MSMEs in acquiring information technology and obtaining ISO certifications,” he said.

U Venkatachalapathi, DGM and Centre Head, NSIC Technical Services Centre, while discussing about various training programmes undertaken by the centre, said that the centre has been offering 20 varieties of courses which focus on electronics, electrical, mechanical and computer technologies.

# Govt keen on SMEs' problems



**Small scale Industries Minister G Prasad Kumar addressing the gathering at the one-day conference on 'Revitalising the SMEs' organized by The Hans India.**

Small scale Industries Minister G Prasad Kumar said that the State government would soon appoint an expert committee to study the problems faced by small and medium enterprises (SMEs) in the State and recommend corrective measures. Inaugurating the one-day conference on 'Revitalising The SMEs' organized by The Hans India here, he said the government is keen to support the SME sector.

"The Chief Minister N.Kiran Kumar Reddy has also shown enormous interest to strengthen the SME sector which is providing employment to lakhs of people," he said.

The Minister, while pointing out that he couldn't make any major announcement as election code was in force, said that he will appoint the expert committee once the election code is lifted.

"We will also try to get more budget from the central government and use those funds to extend support to the SMEs," he added.

Earlier, K Ramachandra Murthy, Editor-in-Chief, The Hans India, in his welcome address, said power cuts and lack of finance had impacted SMEs adversely.

"SMEs are facing myriad problems. The Hand India has taken the initiative to bring the entrepreneurs and industry bodies on to a common platform through the conference to highlight their problems and find solutions," he said.

# BANKS APATHY TOWARDS MSME SECTOR CONTINUES



APK Reddy explaining the present the industrial status at the SLBC meeting held at Pattabhi Bhavan, Andhra Bank building at Koti in Hyderabad on 29 October, 2013.

The small industry scenario in Andhra Pradesh is pathetic. As the days rolled by, the manufacturing sector had taken a severe beating, what with a plethora of industries turning Non Performing Assets and consequently ending up as sick industries. Resultantly, the allied sectors are also adversely affected impacting the State economy, quality and standard of living in the state. It is regrettable that such a situation will cast a shadow on the flow of investments into Andhra Pradesh, which is often projected as the most happening State in the country.

Alarmed over this, many industrial associations have been pleading with the government to provide incentive packages and recommend for rehabilitation by the financial institutions

to tide over the crisis. It is worth mentioning of crucial role of the financial institutions in bailing out the MSE sector from imbroglio.

Moved by the sad plight of the MSME sector, Federation of Small and Medium Entrepreneur (FSME-AP) took up the cudgels and started a campaign to transform the ailing sector into a vibrant segment with a revitalization plan.

Like a dedicated and committed soldier, APK Reddy, President, FSME-AP, took the initiative and brought all associations under one umbrella, working with zeal and zest for the past decade. The group met regional and central industrial departments and had given the representations but all such efforts proved futile.

It may be recalled that in 2012, then Commissioner of Industries, Karikal Valaven supported the thriving team and with the help of them he suggested a 14-point formula to the Reserve Bank of India (RBI).

The following are the suggestions made Mr Karikal Valaven

1. Grant of Interest Term Loan repayable in 3 years with quarterly repayments. The ITL should carry simple interest at 12% p.a. There should be a moratorium period of one year. There shall be no penal interest.
2. The principal both in cash credit and installments' in term loans to be packaged as a second Term Loan repayable in 5 years. Interest on this blocked Term Loan should be no more than 12% p.a. and it should be as per the original agreement.

**3.** In all the cases their original limits of sanction should be restored and cash credit or demand lone released immediately.

**4.** Loans should be provided to all MSMEs for purchasing of DG Sets with simple interest to enable the industry to survive during Power crisis.

**5.** Those units that are on the export markets but have lost them due to recession, packaging credit facilities should be provided for accessing those markets again whenever feasible.

**6.** Those units that would need Technology infusion should be granted separate fresh Term Lone for such period as the Technology access and its productive life demands keeping in view the cash generation capabilities.

**7.** All those packages should be covered under CGTMSE package for all MSE units up to Rs. One Crore limit.

**8.** Since units have no cash on hand, Margin Money or their contribution should not be insisted upon.

**9.** Demand for collateral security should be highly need-based.

**10.** For all units whose loan requirements are below 1 Crore, external



**Karikal Valaven**

credit rating may not be insisted upon.

**11.** All units located in clusters where common infrastructure facilities exist and where the cluster agent is active, you may please examine the prospect of extending concessionary interest rates after they demonstrate the cohesion in their activities with assured markets.

**12.** Cash credit loans may be sanctioned based on their projected cash flow and assured work orders instead of on balance sheet ratio analysis and past performance.

**13.** Re-schedulement of loan without

effecting status of the industry.

**14.** No unit should be made N.P.A during this period.

In a shocking developing, however, the RBI brushed aside the suggestions and other recommendations.

Even, State Level Bankers' Committee (SLBC) meeting in the presence of RBI Regional Directors were discussing the issues and sending suggestions but they were put on the backburner. Till this day, industries continue to function in pathetic conditions with political uncertainty plaguing the State for the last four years. Rather shockingly, every day about 72 are shutting their shops, throwing thousands of people out of their jobs.

The growing chasm between the MSME sector and the government has only only aggravated the situation. So much so, the SLBC meeting held on October 29 turned to be a very hot affair with APK Reddy articulately raising the issues confronting the MSME sector and demanded immediate explanation from the bankers and financial institutions for the continuing bad shape



Representatives of all bankers participated the SLBC meeting

PM Task Force -Recommendations	Norm %	Actual %
Banks are advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises	20	23.16%
10 per cent annual growth in the number of micro enterprise accounts.	10	18.56%
40 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 10 lakh and micro (service) enterprises having investment in equipment up to Rs. 4 lakh;	40	Not available
20 per cent of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 10 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 4 lakh and up to Rs. 10 lakh.	20	Not available
60 per cent of MSE advances should go to the micro enterprises. Allocation of 60% of the MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.	60	36.47%

of the small units.

C Doaraswamy, General Manager & Convenor, SLBC of AP (Andhra Bank), K Anuradha, Asst General Manager (RBI), Dr Rajat Kumar, IAS, Commissioner of Industries, SV Hanumantha Rao OSD (Finance), V Prasanna Kumar, Joint Director, Industries Department, R Prabhakar Rao, State Director, KVIC, K Rambabu, General Manager, APSFC, KV Kannan, General Manager, Andhra Bank, PK Rath, Dy GM- MCG, SBH, K Radhakrishnan Dy GM-SME Sulabh, Canara Bank, DSRK Sai Baba, General Manager, APGVB, Warangal, K Rama Mohan, AGM, Andhra Bank, AK Saxena, AGM-SME, Bank of India, K Sivaiah AGM, Vijaya Bank, M Bala Bhaskar, Chief Manager, SLBC, Andhra Bank, AK Gupta, Chief Manager, SBI, J Dharma Rao, Chief Manager, SBH, BSHV Rama Raju, Chief Manager, Indian Bank, K Mohan, Chief Manager, Indian Overseas Bank, P

Reddy Prasad Chief Manager, Bank of Baroda, Mathew KV, Chief Manger, ICICI Bank, N Jhansi Lakshmi, Chief Manager, Deccan Grameena Bank, Ch Venu Madhav Rao, Manager, SIDBI, N Veereswara Rao, Asst Manager, Reserve Bank of India, Chandrakant M Albanur Senior Manager-Technical, Union Bank of India, D Narasimha Rao, Senior Manager, APGVB, Warangal, K Seshagiri Rao, Senior Manager, Punjab National Bank, D Balasundaram, Deputy Manager, Canara Bank, N Ramanjaneyulu, Deputy Manager, Andhra Bank, Anil S Wable, Manager-PSC, Allahabad Bank, Gururaj Ainapur, officer (AFO), Karnataka bank Ltd, APK Reddy President, FSME-AP, B Srikanth, FAPSIA, Y Tripuramba, Secretary, CED, ALEAP, K Sudhir Reddy President, Telangana Industrialists Federation participated in this meeting.

At the outset Convenor has welcomed all the participants and in-

formed that elaborate discussions are being held in various forums like steering committees, SLBCs on extending finance, nurturing and rehabilitation of sick units under SME sector including the status of NPAs ingeneral.

The issues pertaining to individual units have been discussed and resolved for redressal in SLIIC sub committee meetings and SLIIC meetings. Convenor impressed upon banks, the need to honour the resolutions of the SLIIC committees for the benefit of both for banks and SME entrepreneurs.

Commissioner of Industries, GoAP, informed that the industry was buffeted by series of issues like power crisis, interest burden on bank loans, raising tariffs, lack of manpower & raw material, defective output, heavy rains and political disturbances etc.

In order to solve this sector it is necessary to examine the problems closely and to resolve them in a time

bound manner.

KV Kannan, General Manager, Andhra Bank, informed that staff training colleges are imparting training to each officer every year with regard to financing MSE sector, rehabilitation programme and also coverage under CGTMSE.

Sr R Prabhakar Rao, State Director, KVIC, informed that out state is the last state in implementation of PMEGP scheme and he expressed the need to follow up by all banks to reach the targets.

He also informed that out state is ranked 8th position in coverage of CGTMSE scheme whereas Kerala & West Bengal stood 1st & 2nd. He requested all banks to take all steps to ensure that all loans given under PMEGP should be covered under CGTMSE.

Smt Tripuramba, Secretary, CED, ALEAP has informed that SME units in the state could not



KV Kannan, General Manager, Andhra Bank speaking during the SLBC meeting. Prabhakar Rao (Director-KVIC), Rambabu (General Manager-APSF) are also seen.

flourish due to unusual tariffs, unrectified billings, compounding of penal interests, power crisis, unusual maintenance charges, salaries to workers etc.. Working capital is being eroded there by the entrepreneurs are finding it difficult to run the units on sound lines.

The SLBC recommended immediate relief package and actions to

the Reserve Bank of India.

That was discussed in RBI quarterly meeting and the Deputy Governor, KC Chakrabarty openly criticized the activities being carried by the bankers in the issue of SMEs.

He expressed his worries over the future of bankers, if the drastic situation continues.

### **Based on the discussed points in the meeting SLBC made a list of immediate action plans to all banks, LDMs, Industry Associations, GoAP & Office of the Commissioner of Industries.**

#### ***The points are:***

All banks should strive to achieve the set targets under SME lending and coverage of units CGTMSE.

Sensitization on coverage of SME finance under CGTMSE on a campaign mode at the District level involving the GM, DIC, all Banks, LDM, Industry Associations, etc..

Banks are requested to open more number of branches in MSME clusters to cater the financial needs of the MSME units.

Banks are advised to respond

positively and submit compliance to the action points emerged in the SLIIC and SLBC immediately.

Banks are requested to exercise the discretionary powers to overcome the specific problems in the state.

Industry associations are advised to sensitize the beneficiaries to submit their rehabilitation/restructuring proposals within the timelines stipulated.

Banks are requested to examine the proposals on case to case

basis

Beneficiaries are advised to maintain transparency of data furnished by them in provisional balance sheets.

GoAP and Department of Industries to look into the issues on power etc., and resolve the same.

Government may examine the creation of Risk Fund for SME units as a part of relief measures.

Office of the commissioner of industries is requested to issue the revised guidelines proposed to be amended with regard to APSSIRS scheme, 2006.

# I am concerned about future of banks: KC Chakrabarty

**R**BI Deputy Governor KC Chakrabarty on Saturday lambasted public sector banks for the rising bad loans, saying they sat on the “menace” far longer than their private sector counterparts.

In a well-researched presentation at Bancon 2013, an annual banking conference, the Deputy Governor also rubbished claims by banks that non-performing assets (NPAs), or bad loans, have been raising because of the economic slowdown.

On the theme of the Bancon 2013- ‘Banks of the future; Gearing up to meet the emerging environment’ – Chakrabarty said: “As a regulator, I do not have the luxury to take about the banks of the future; I am more concerned about the future of the banks. One factor affecting the future of the banks is non-performing assets.”

He provided data to establish that NPAs had started rising from 2007, before the financial crisis. He said fresh slippages showed a declining trend from early 2000s, but started rising since 2006-07.

It is not as if the economic slowdown has affected “public sector banks alone”. Private sector banks and even foreign banks have been able to deal with the NPA menace better, Chakrabarty added. The key, according to him, was that these banks identified the problem earlier.

The central banker underscored the importance of regulation in dealing with the NPA problem. “Banks ask for softer regulations (for provisions) when NPAs



**KC Chakrabarty, Deputy Governor, RBI**

increase, while data show that when regulations are tightened, asset quality improves.”

Prudential norms (like higher provisioning) are in the interest of the banks, he said, urging lenders to put in place a contingency plan when they lend to infrastructure-based projects such as coal mining and gas-based plants.

When pointed out that public sector banks face excess stress because they have to lend to public enterprises, Chakrabarty said: “For government companies, the project appraisal has to be more stringent. The more powerful the borrower... your appraisal has to be more stringent.”

Responding to the comments, K.R. Kamath, Chairman and Managing Director of state-run Punjab National Bank, said: “We have to learn from the past and utilize the opportunities that are available to us.” Kamath, who is also the Chairman of the Indian Banks’ Association, termed the deputy governor’s speech as “introspective”.

On the point about banks pulling the plug on wilful defaulters, M.Narendra, CMD, Indian Overseas Bank, said banks are slowly moving in that direction.

<b>GOING OUT OF CONTROL</b>			
Year ended	Bad loans written off	Recovery from written off loans	Recovery as % of write off
Mar-01	6,446	424	6.5
Mar-02	8,711	501	5.7
Mar-03	12,021	479	3.9
Mar-04	13,559	1,065	7.8
Mar-05	10,823	1,768	16.3
Mar-06	11,657	2,902	24.8
Mar-07	11,621	2,480	21.3
Mar-08	11,653	3,101	26.6
Mar-09	15,996	3,686	23.0
Mar-10	25,019	4,362	17.4
Mar-11	23,896	5,036	21.0
Mar-12	20,892	5,191	24.8
Mar-13	32,218	6,960	21.6
<b>Total</b>	<b>204,512</b>	<b>37,955</b>	<b>18.5</b>

All figures in rupees crore



# The freedom of flight

**Break free from the shackles of collateral**

**FLY HIGH WITH CGTMSE.**

CGTMSE guarantees collateral free / third party guarantee free credit facilities upto ₹ 100 lakhs sanctioned by its Member Lending Institutions (MLIs) to eligible Micro and Small Enterprises. Be it start ups, expansion plans, technology upgrades, diversifications or working capital requirements.

Contact the nearest branch of any of our MLIs to avail of collateral free loan.  
For list of our MLIs or more details please log on to [www.cgtmse.in](http://www.cgtmse.in) or Call 022-65290974

**सूक्ष्म एवं लघु उद्यम क्रेडिट गारंटी फंड ट्रस्ट**  
(भारत सरकार एवं सिडबी द्वारा स्थापित)

**Credit Guarantee Fund Trust for Micro and Small Enterprises**  
(Set up by Government of India and SIDBI)

**Encouraging Entrepreneurship. Enabling Collateral free credit**



# Economy in DIRE STRAITS



The YSR Congress Party has submitted a memorandum to the 14th Finance Commission on September 13, 2013 on devolution of Central Taxes to states and other issues. Here are some excerpts of the letter written by DA Somayajulu, YSR Congress Party's Political Affairs Committee member (on behalf of YSRCP)



**H**on'ble Chairman and Hon'ble Members of Fourteenth Finance Commission,

We sincerely thank you for the opportunity given to us to make our submissions on the subject of devolution of Central taxes to States. This mainly covers two issues viz,

- (1) What and how much of the Central Revenues should be distributed among States?
- (2) What weightage should be assigned for various factors for apportionment of the divisible Central revenues among various states?

Before discussing the above issues, I would like to express serious concern at the way the Central Government is virtually messing up country's finances and as to how the country is being dragged into an irretrievable debt trap and unprecedented foreign exchange crisis. Even in 1991 when India

● *What and how much of the Central Revenues should be distributed among States?*

● *What weightage should be assigned for various factors for apportionment of the divisible Central revenues among various states?*

faced its biggest foreign exchange crisis, it had a Current Account Deficit of only 2.6% of GDP. As against that, today India has more than 4.5% CAD. It is reported that the short term debt burden with one year maturity has reached about 25% of the total external debt, substantially pushing up the country's short term debt repayment obligation, further jeopard-

izing the already worsened foreign exchange position of the country.

The fiscal deficit has been upwards of 5% of GDP in each of the last four years and about 80% of this is going for meeting the revenue deficit. Because the Central Government has been recklessly borrowing money not for stepping up public expenditure and plan expenditure but for funding its ever mounting revenue deficit, the RBI strangely has been starving the corporate sector of its due share of funds. With the result, the corporate sector, which is the main vehicle of India's economic growth, is only seen in a casino called stock exchanges where so much depends on the throw of the dice and not on the fundamentals of Indian economy. The Union Finance Ministry in its July 2013 monthly report said

'Overall growth in the Index of Industrial Production (IIP) was (-) 2.2 per cent during June 2013 as compared to (-) 2.0 per cent in June 2012. During April- June

2013-14, IIP growth was (-) 1.1 per cent as compared to (-) 0.2 per cent in April- June 2012-13. Eight core Infrastructure industries registered 0.1 per cent growth in June 2013 as compared to growth of 7.9 per cent in June 2012. During April- June 2013-14, these sectors grew by 1.6 per cent as compared to 6.9 per cent during April-June 2012-13.'

The same Report brought out that the Revenue Receipts of the Central Government for the first quarter of the current fiscal was - 1.3% over that of the corresponding figure of the previous year, which was 30.6% over its previous year. At this rate, where is the country going? What a sad state of affairs!

I have never known Indian economy being in such dire straits. There is no coal, no gas and no electricity in the country with

about 60% of SME sector units virtually closing their shops, many of them converted into NPAs (Non Performing Assets). The prices of essential commodities are going up. The saddest thing is that at the end of the first quarter, as a proportion of budget estimate, the actual fiscal deficit and revenue deficit during April-June 2013 were 48.4% and 55.4% respectively, as against what should be 25%. This means India's revenue and fiscal deficit are going to go through the roof, further fuelling inflation. In the last fiscal itself, the interest on borrowings accounted for more than 30% of the Central Revenues. Given the current performance, there will be no surprise if interest on loans will go upto 50% of Central Revenues. Citing external factors as responsible for the present mess up is completely incorrect as India with

its \$300 billion exports and \$500 billion imports has one of the lowest exposures in international trade. Despite this, the Central Government goes on announcing one CSS or the other having huge revenue impact. They want to penalise all the states even for minor violations of the FRBM act, while they themselves have been behaving most irresponsibly. One of the important items of TOR for the Fourteenth Finance Commission is about the central revenues also.

Given the present situation, how will the 14th Finance Commission go about its task in distributing Central revenues, which started registering negative growth rate? Yet, the show must go on. Hence, the following submission!

What and How much of the Central Revenues should be distributed among States?



Various Political Parties and various State Governments have represented to the Thirteenth Finance Commission that the cesses and surcharges along with the non-taxable revenues of Central Government also shall become part of the divisible Central revenues, which presently include only Customs Duty, Excise Duty, Service Tax and Direct Taxes. It was also submitted that the indicative ceiling on all revenue account transfers be fixed at 50% of the Centre's gross revenue receipts. The Thirteenth Finance Commission, however, did not accede to the request of the States for inclusion of cesses and non tax revenues for division among the States. They recommended rising of this indicative ceiling to only 39.5% of the Centre's gross revenue receipts. Further, the thirteenth Finance Commission recommended that the share of states in net proceeds of shareable central taxes shall be 32% in each of the financial years from 2010-11 to 2014-15, as against the demand of 40% by majority States of the country. The main reasons why the Central Government should agree for much higher levels of devolution compared to the 32% that they recommended are given below.

(1) Prior to 1991, Central Public Sector played a very crucial role in building Indian economy, especially for employment and revenue generation and for removal of regional disparities. The Central Government in keeping with its commitment for Regional Balanced Development of the en-

tire country, used to ensure that proportionate industrial investment has been made in all the States in the country. Besides, using the industrial licensing mechanism, Government used to ensure that there was reasonable dispersal of industrial units in all regions of the country. For instance, in our own state, many large Public Sector Units like



BHEL, HMT, HAL, IDPL, HCL, ECIL, BHPV, MIDHANI, BDL, Vizag Steel Project, Ordnance Factory, NFC, BEL and many more such projects were set up by the Central Government and these projects together with their ancillaries have provided employment to lakhs of work force in the State, in addition to generating substantial revenues to the State Government. During the first

3 decades, many prestigious R & D laboratories like CCMB, DRDL, DLRL, DMRL, NIN, NRSA, NGRI, IICT, Sriharikota Satellite Launching Pad and ICRISAT were set up in AP and this has positively helped AP to emerge as one of the important knowledge Hubs in the Country. All these initiatives have enabled the local entrepreneurship to blossom, so much so that today AP is the largest producer of bulk drugs and cement in the country. With the Government of India opting out of further investments in Public Sector and with the removal of licensing system for industrial promotion, it has essentially become the responsibility of the State Governments to develop world class infrastructure for attracting industrial investments, which requires substantial additional investments by the state governments compared to the pre-1991 era. It should also be implied that there are more surplus funds in the hands of Central Government; now that they have stopped investing in Public Sector and by implication those funds should be transferred to the state governments for creation of infrastructure. The 14th Finance Commission should therefore come out with a methodology to make greater allocations to the states that have been embarking upon creation of good infrastructure facilities and setting up of institutions like SEZs. Additional devolution

should also be made to state governments that are setting up exclusive institutions for upgrading the skills and productivity levels of our labour.

(2) India is such a huge country that some of the States are bigger than many countries in the world both in terms of area and population. Each State in India has its own varying levels of development and prosperity among various districts, varying levels of Human Development Index, varying resources and therefore each State should be allowed to develop its own socio economic strategy consistent with its resources and priorities. Unfortunately, every year the Union Government has been adding one centrally sponsored scheme (CSS) or the other. For instance, the NREG Program which is intended to provide a minimum of 100 days employment in the years of drought to rural population is implemented across the country even in years of excess rainfall. Besides, this scheme will be of little relevance to States in the Indo-Gangetic plain as they do not depend so much on the rains in their own states for their Agriculture. As against that, the situation is completely different in respect of States that are located in south of Vindhyas, where even the river system is rain dependent. We have seen in our own State as to how for about 5 out of last 15 years the important rivers virtually ran dry. So, it is inexplicable as to how the Central Government is implement-

ing such schemes uniformly all over the country? Similarly, the Central Government has been implementing RKVY for incentivising States that will meet the targets of achieving average annual growth rate of 4% besides enhancing the food grains production of the country by 20 million tonnes in a five years period. This whole scheme has become counter-productive because of the formula that was adapted to

Mission. We really wonder as to how the Central Government can fix a uniform basis for the whole country, particularly in respect to Agriculture, which is completely location specific. For example, Andhra Pradesh itself has identified 322 farming situations, each of which requires a different strategy and different levels of investments. Already many States in the country have their own poverty alleviation programs based on



incentivise States, as this has nothing to do with the outcomes. States that maintained a particular level of budgetary allocations for Agriculture and allied activities in proportion to their plan expenditure were given this incentive, irrespective of whether they really achieved the targets set out in the National Food Security

the local requirements. Some States like Andhra Pradesh, thanks to the commitment of Late Dr. Y S Rajasekhara Reddy, have implemented a plethora of welfare measures offering food security, old age security, health security, housing and access to education at Government cost on a saturation mode even while remain-

ing FRBM compliant, without any Revenue Deficit and without increasing rates of VAT, municipal taxes, water charges, RTC charges and Power charges to any class of consumers over a full five years period 2004-09. It is submitted that the States are better placed to understand the needs of the people and have the required capacity to prioritise expenditure within the framework of FRBM act.

In the light of this, the Union Government may kindly consider dispensing with a large number of CSS programs and instead make higher revenue devolution to the States and allow them to make their own choices for spending money on the welfare of the people and development programs. It is strongly urged that the Fourteenth Finance Commission should consider adding cesses and surcharges and non-taxable revenues of Central Government to the present divisible taxes and of that atleast at 40% should be shared by the Union Government with states.

**What weightage should be assigned for various factors for apportionment of the divisible Central Taxes among various states?**

The Thirteenth Finance Commission has recommended the following weights for devolution of Central Taxes among various States of the Country.

The Thirteenth Finance Commission has given highest weightage of 47.5% for Fiscal capacity



distance. According to the report, “the Fiscal distance is obtained for each state by the distance of its estimated per capita revenue, from the estimated per capita revenue of Haryana, the second highest in the per capita income ranking after Goa. The distance so computed for all states, barring Haryana and Goa, defines the per capita revenue entitlement of each state based on fiscal distance. For Haryana and Goa, a revenue entitlement of Rs. 100 per capita has been assigned. For Maharashtra, with average per capita GSDP slightly lower than that of Haryana, the fiscal distance computed based on the procedure described in the earlier paragraph worked out to be negative. We have assigned it a notional revenue entitlement of Rs. 100 per capita, at par with Haryana and Goa. These per capita entitlements

are then multiplied by the respective 1971 population figures of each state to arrive at the share of each state in tax devolution. We have assigned a weight of 47.5 per cent to the fiscal capacity distance criterion. The use of average tax-to-GSDP ratios specific to each category neutralizes to an extent the fiscal disadvantage of special category states in terms of tax capacity. Finally, another principle governing devolution has to be cost disability, so that the amounts devolved conform to equity-based fiscal need, modified by differing costs of service delivery. Cost disability affects both general and special category states.” The intent is to estimate per capita fiscal capacity at reasonably comparable levels of taxation by application of the observed group average. This, in our opinion, is not the best way of devolution of funds. Performing States with higher revenues to GSDP ratio and higher Per Capita GDP or Per Capita Net State Domestic Product will be punished and States which continue to remain backward because of misgovernance will continue to get

incentivized, which the country should not encourage. The important consideration should be the Human Development Index of each of the 600 odd districts in the country. Per Capita estimates by themselves do not reflect the correct position of a particular State. Within each State there are large variations of Per Capita income, Human Development Index and other parameters. Just because Andhra Pradesh has very high Per Capita tax revenue, it does not automatically ensure better Human

development. Unfortunately this is not true. Nine of their 35 districts in Maharashtra, not only have per capita incomes lower than that of the State average but also lower than the Country's average of Rs. 61,656 for the year 2011-12. 17 districts in all have lower per capita income than the State average. These districts are as bad as those in Orissa or Bihar or other places. Same is the case with Andhra Pradesh, which had per capita income of Rs.60,703 for year 2010-11 as against national average of Rs.

54151. 9 out of 23 districts of Andhra Pradesh have per capita incomes lower than that of national average and of the balance 14, ten districts clearly have much lower per capita income than the State average. Maharashtra does not mean just Mumbai and Pune cities, where only 15-20% of the State's population lives; it includes all those living in semi-urban and rural areas. For example, as per latest RBI statistics, whereas the total bank lending in Maharashtra as on December 31, 2012 was Rs. 14.36 lakh crores, the urban centers accounted for a lending of Rs. 13.67 lakh crores, while the balance 75% of people in the State are availing of a bank credit of Rs. 69,000 crores. Similarly for Andhra Pradesh, as against the total bank lending of Rs. 4.10 lakh crores as on 31-12-2012, about Rs. 3 lakh crores is in urban metropolitan areas where less than 20% of the State's population lives. And going by the average NSDP, if whole of Maharashtra is considered is a super-rich state and are not given even one rupee under this weightage, how sad it is? Is it not a travesty of justice? The State GDP is mainly driven by the services and industry sectors which hardly employ 20% of the state's population. These are few islands of prosperity surrounded by ocean of poverty. Most of this GDP is concentrated in very few large urban areas and is unable to percolate to the lowest levels and do not benefit large sections of people, who continue suffer substandard life. If the States are denied their due share of devolution, it will be a big mistake. It is unfortunate that performing States like Maharashtra (5.28%), Gujarat (3.08%), Tamilnadu (5.04%) and Andhra Pradesh (7.04%) continue to get lower percentage of devolutions than states like Bihar which gets 11% and UP which gets 19.98% of the central devolutions. The equity should not mean dis-incentivizing better performing States and incentivizing



Development for all the people living in different districts in the State. For instance, the GSDP of Maharashtra is Rs. 13.72 lakh crores for the year 2012-13 and naturally it has the highest per capita income among big states in the country. The finance commission considers that all the 35 districts of Maharashtra are equally developed and have the same Rs. 1.5 lakh per capita income. Unfor-

54151. 9 out of 23 districts of Andhra Pradesh have per capita incomes lower than that of national average and of the balance 14, ten districts clearly have much lower per capita income than the State average. Maharashtra does not mean just Mumbai and Pune cities, where only 15-20% of the State's population lives; it includes all those living in semi-urban and rural areas. For exam-

non-performance. But unfortunately this is what has been happening in the last 50 years. In the light of this, it is requested that this weightage of 47.5% be reduced to 20%, distributing the balance 27.5% to parameters like population, area, social sector spending and higher plan outlay.

**(1)** Para 7 of the TOR says that in making its recommendations on various matters, the commission generally take the base of population figure as of 1971 in all cases where population is a factor for devolution of taxes, grants and aid; however, the commission may also take into account the demographic changes that have taken place subsequent to 1971. For a long time now, the Government of India has been following 1971 census as the base for tax devolutions. Now, the Government is empowering the commission to also take into account the demographic changes that have taken place post 1971. This particular sentence is adding confusion, as the first sentence very clearly requires the Commission to adopt 1971 base as the sole criteria for devolution. If subsequent changes in demography are taken into account, state like Andhra Pradesh which took great pains and made huge investments for family

welfare will be put at a disadvantage as their population share in that of the country has fallen from 8% in 1971 to 7% in 2011. At a time when the greatest need of the hour is to reduce population growth, if by any chance the Commission alters the base year, it will tantamount to incentivising states that are not bothering for effective implementation of population control. We therefore strongly urge that 1971 population base should be taken as the basis for devolution of taxes and revenues from Centre to States. This weightage should be increased to 30% as this is the biggest equity factor in a country like India which is placed at 138th rank by the Human Development Report of UNDP, which takes into account 74 important parameters like health, housing, education, sanitation, democratic rights, empowerment of women, environment etc that define the life of quality of people. This clearly establishes that about 70-80% of the population of India irrespective of the state in which they live are leading a life of abject poverty. Therefore, it is strongly recommended that population should be given the highest weightage of 30% for devolution of central revenues.



**(2)** The need of the hour is to step up the economic growth of every State. After all, the GDP of the country is nothing but the sum total of the GSDP of all the states. Higher the investments, higher will be the GSDP. Higher GSDP means higher revenues in the hands of the State that can be used for stepping up governmental and public expenditure. That Private investments grow only in tandem with Public investments is a well-known fact. Therefore, States having better revenues should be allowed to borrow more for stepping up the Public and Government expenditure so as to catalyse the Private investments for giving a push to the GSDP. On the

recommendations of the 12th Finance Commission headed by Dr. C Rangarajan, the Parliament has enacted Fiscal Responsibility Budget Management act 2003 providing, inter alia, that the Revenue deficit should be brought down to zero by the year 2008-09 and the fiscal deficit should be maintained at 3% of GDP. Most of the State Governments are reporting compliance with these provisions. It is respectfully submitted that there is a mistake in linking the fiscal deficit, which is nothing but the net borrowings of the State Government for a particular year to Gross State Domestic Product. The borrowing limit has nothing to do with the GSDP. Infact it is more to do with the State's own revenues, as the repayments are

revenues to GSDP ratio. In the light of the above, the Commission is requested to recommend a change in the eligibility for borrowings by the States by scrapping the present FD/GSDP ratio formula and by linking borrowings to revenues. Otherwise some of the States will get into irretrievable debt trap, if they have not already got into.

- (3) One of the reasons why Andhra Pradesh has been able to achieve much higher States own revenues ratio to GSDP than many other states is because of the decisive steps taken by Dr Y S Rajasekhara Reddy to increase economic buoyancy in the State. He did not believe in increasing tax rates.

Increasing economic base was his top priority. This is evidenced by the fact that for each of the last 10 years, AP has been having highest plan expenditure for any State in the country, with the possible exception of Uttar Pradesh. In just one or two of the last ten years; it is important to note that UP has more than twice the population of Andhra Pradesh. The total Plan Expenditure in the State has gone up from Rs.10,366 crores in 2003-04 to Rs.32,701 crores in 2008-09, which works out to a CAGR of 26%. Plan Expenditure/total expenditure for 2008-09 worked out to 40.5% of total expenditure as against 27% in 2003-04. This was highest for any state in the country. Similarly, the capital expenditure has gone up from Rs.3,804 crores in 2003-04 to Rs.10,359 crores in 2008-09. It is reported that even as per the 12th Five Year plan projections, AP will have the highest plan outlay in the country. Naturally, this will add to the country's growth and state's like AP should be incentivised. Similarly, AP, under the leadership of Dr Y S Rajasekhara Reddy is the first state to



made out of the revenues of the State and not out of the GSDP. Moreover, it is not necessary that the revenues bear a standard ratio/proportionality to the GSDP. For instance, AP has a State owned revenues to GSDP ratio of 10.71% for the year 2012-13, as against 5.54% for West Bengal, 7.59% for Maharashtra and 6.10% for Bihar. This clearly shows AP has been able to raise higher level of revenue income for the same GSDP than other states and therefore should be allowed to borrow more than other states which have low

revenues to GSDP ratio. In the light of the above, the Commission is requested to recommend a change in the eligibility for borrowings by the States by scrapping the present FD/GSDP ratio formula and by linking borrowings to revenues. Otherwise some of the States will get into irretrievable debt trap, if they have not already got into.



have implemented a large number of welfare programmes in proportions unheard of in any state in post independent India. The Governor's Address 2013 stated that AP which occupied 23rd place in India in 2003 in terms of implementation of poverty alleviation programmes under the 20-point Programme has now reached first rank in the country. This is not an ordinary achievement. This could never have happened but for the implementation of a large number of welfare programmes by Dr Y S Rajasekhara Reddy government. The outlays on irrigation and weaker section housing essentially drive the Plan Expenditure of our state. You may also kindly consider a special grant for Irrigation projects in our State, as they contribute more towards the National Food Security than of our State. We request you to also consider coming up with a mechanism of sharing a part of our expenditure on free power for agriculture as that too is going towards contributing to national food security. As we have seen, from our own experience, the capital investments on Irrigation Projects will have an all-round beneficial impact on the economy. Because we are implementing a large number of irrigation projects and weaker section housing programme, the cement and steel industries in our State have doubled their capacities. It is requested that the Commission should give a high weightage of

25% for the devolution of Central funds to States, which have been consistently stepping up the plan expenditure comprising, among others, plan outlays on irrigation and weaker section housing, and implementing welfare programmes, as the very essence of governance is to improve the quality of life of people through improved investments..

(1) The biggest challenge our Country is facing today is the low growth rate in agriculture and stagnated productivity levels, contributing to perpetuation of low levels of incomes for about 60% of our population dependent on agriculture. The average annual growth rate for Agriculture and allied activities in the country has fallen to 2.3% in the post reform period (1991-2012) from 5.2% per annum for the preceding decade 1981-1991. This is a very substantial fall in the incomes of the farmers, particularly considering the fact that such low level of growth has been persisting over two decades. When Agriculture fails, the entire rural economy fails. This is precisely what has happened in our country. In 1991 only 20 out of 630 districts in India were declared as naxal affected. Thanks to the failure of Agriculture, by 2004 as many as 200 out of 630 districts in the country are declared as naxal affected. Unless we do something very substantial for improving farmers' incomes, in the long run, we cannot achieve sustainable growth, let alone inclusive growth.

Besides, with our population growing at more than 2 crores per annum and the global tradable surplus in foodgrains coming down because of developing countries converting their lands to bio-fuel crops, augmenting additional domestic foodgrains production becomes the top priority. In recognition of this alarming position, the Government of India launched the National Food Security mission in 2007, although belated. The results are not very encouraging. As there has been no major technological breakthrough in agriculture in the last two decades, the only way we can increase the productivity and consequently the farmers' incomes is by making more water available to farmers. This is precisely what Dr Y S Rajasekhara Reddy Government had done. Our State invested substantially in Irrigation and in subsidizing agricultural power. The results were very positive. The Telangana region gained immensely from subsidized power so much so that in year 2008-09, the Telangana region produced 80 lakh tonnes of food grains, which is more than the total food grain production of Tamilnadu. If only free power was not extended, this would not have been possible and the State would not have been in a position to contribute upwards of 90 lakh tonnes of Rice to the central pool. The State achieved an average annual growth rate of 6.87% for Agriculture and allied activities for the five years period 2004-



2009. Utilisation of every drop of water available in the State becomes very important for improving productivity in Agriculture. The Jalayagnam program and the subsidized power program in the State have gone a long way in improving the productivity and production of food grains in the State. The foodgrains production in the state has increased from 136 lakh tonnes in 2004 to 204 lakh tonnes in 2009. AP became the second largest producer of milk in the country, while continuing its predominance in horticulture, fisheries and animal husbandry sectors. As whatever additional food grains our State is producing is essentially for meeting the National Food security rather than meeting our own State's requirements, we strongly urge

that the Finance Commission should give a very high weightage in devolution of central taxes to the states producing additional food grains production. It is requested that states which are contributing to the national food security should be incentivised by allocating at least 5% of the central revenues in the devolution under the 14th Finance Commission. The Central Government should also agree for sharing power subsidies incurred by the states out of their revenues as the foodgrains thus produced are meeting the national food security.

- (2) Area of the state is as important a parameter as population in governance related issues. The Thirteenth Finance Commission has given a weightage of 10% for this parameter. Unfortunately, they have also recommended that a minimum of 2% out of this 10% will be given as devolution to States whose area is less than 2% of the geographical area of the country. Consequently, even if a State has just 0.5% of the country's geographical area, they will still get 2% of the 10% earmarked for this parameter. With the result, the size of the cake will substantially come down and States like Andhra Pradesh which has nearly 9% of the geographical area of the country will effectively end up getting 6 or 7% share, which is absolutely unjust. If a state has a large Area to manage, naturally its administrative expenditure in terms

of delivery of services and maintenance of law and order will be very high. Given the extremist movements in most parts of the country, especially in states with large extents of forests, administration is becoming very expensive. Therefore, higher weights should be attached for this parameter than the present 10%. In light of the above, it is requested that the weight for this parameter be increased to 15%. It is further requested to drop the 2% condition for States having less than 2% of the country's geographical area.

- (3) Administrative reforms, decentralization of governance and giving top priority to environment and ecology with a proper trade off with growth and development are very important. Post 1991, there has been a paradigm shift in governance in the country. The role of states in economic development and promoting human development has increased phenomenally. Unfortunately, most of the states have not built back up think tank institutions, much less integrating them with governance. This is very important. The Finance Commission must incentivise states by offering additional funds for creating such institutions.

In the light of the above, we request the Commission to reduce the Fiscal Capacity Distance weightage from 47.5% to 20% and the balance 27.5% has to be transferred to parameters like population, area, plan expenditure in proportion to total expenditure and for social sector spending. Special weightage should also be given to states which are contributing to National Food Security by offering power subsidies from



***In sum, we request the following weights for devolution of Central Revenues:***

***Criteria and Weights for Tax: Devolution Criteria Weight***

1. Population (1971)	30%
2. Area	15%
3. Fiscal Capacity Distance	20%
4. Plan Expenditure proportion to total expenditure & Social Sector expenditure	25%
5. States contributing foodgrains for national security	5%
6. Administrative Reforms etc	5%

their budgets. We also request that population should be reckoned as at 1971 base. We further request that the criteria for fiscal deficit should be changed. It should not be linked to GSDP; instead the eligibility for borrowing shall be on the basis of states own revenues. States with better revenue buoyancy should be given permission to borrow more for stepping up public expenditure. After all, loans are repaid out of the revenues of the State and not out of GSDP.





**Mekapati Rajgopal Reddy  
CMD**

# Delivering the best that the world has to offer

**That's the guiding philosophy of VDB projects.**

**A new generation infrastructure  
development, construction and  
project management company,  
VDB projects has consistently  
achieved global standards in  
professionalism, quality and value.**

**Our seamless  
partnership with our clients has  
helped create high-end  
sustainable property assets.**

**VDB PROJECTS (P)LTD  
Indira Nagar, Bangalore**



SBH  
MSM *Excel*

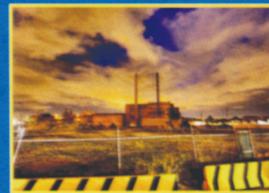


**SBH** Modern  
Innovative  
Dependable  
स्टेट बैंक ऑफ़ हैदराबाद  
State Bank of Hyderabad

**SBH** Transforming Ideas  
to Real Business

# MSME

## CREDIT CAMPAIGN



### LOANS FOR INDUSTRIES



### LOANS FOR SERVICES



### LOANS FOR TRADERS

- Attractive Rate of Interest
- Low processing fee
- CGTMSE fee borne by the bank
- Simple procedures
- Speedy approvals

For details, contact our nearest Branch or MSME Dept. on 040-23387344.

Call 1800 425 4055/ 1800 425 1825 or sms 'CALLME' to 9000 222 444



# Powerhouse of production

With copious reserves of natural resources and excellent manpower, Andhra Pradesh can be the frontrunner of industrial growth in the country, if the economic, industrial and political experts prepare a blueprint for exploring the vast potential.

A treasure trove of natural resources and abundant manpower, Andhra Pradesh is one the most potential states in the country for industrial prosperity. With having huge reserves of minerals including coal, oil and natural gas, bauxite, limestone, gold, diamonds and more, the state plays a pivotal role in the industrial growth in South India.

It has a host of infrastructure facilities including industrial development areas, industrial estates, growth centres and special complexes like a chemical complex, plastic complex, leather complex and a software technology park.

All these eventually lead to a cosmopolitan environment with good quality of life at comparable costs. With having a skilled and dedicated workforce, the state is home to a large number of universities, technical colleges, ITIs, polytechnics etc.

These are what make Andhra Pradesh the right choice of business endeav-

ors, with all inherent strengths of a dynamic industrial economy.

Andhra Pradesh is well connected internally by air. Regular air services are offered among Hyderabad, Visakhapatnam, Vijayawada and Tirupati by regional airlines.

Andhra Pradesh has one major port in Visakhapatnam and two intermediate ports in Kakinada and Machilipatnam. The State also has minor ports at Krishnapatnam, Gangavaram, Mutyalampalem, Bhavanapadu, Kalingapatnam, Bhimunipatnam, Narsapur, Nizamapatnam, and Vodarevu.

The government has taken a major initiative for the development of port infrastructure in State. Three ports namely Krishnapatnam, Kakinada and Vodarevu have been privatised. Gangavaram is also process being privatised.

Roads are the most important means of transport in Andhra Pradesh. The State, being predominantly an agriculture-oriented economy, depends on road transport for the movement of agricultural produce and raw and finished material.

Also Andhra Pradesh has the third largest installed power capacity in the country.



## *Human Resources*

Skilled and dedicated workforce in the state is next to none in productivity. A NASSCOM (National Association of Service and Software Companies), study shows that 23 percent of India's software professionals are from Andhra Pradesh. There are also several renowned universities, technical colleges, ITIs, polytechnics etc. There are more than 50 prestigious Central and State research and training establishments like Administrative Staff College of India, Indian Institute of Chemical Technology, Centre for Cellular and Molecular Biology, Defence Research and Development Laboratories and others.

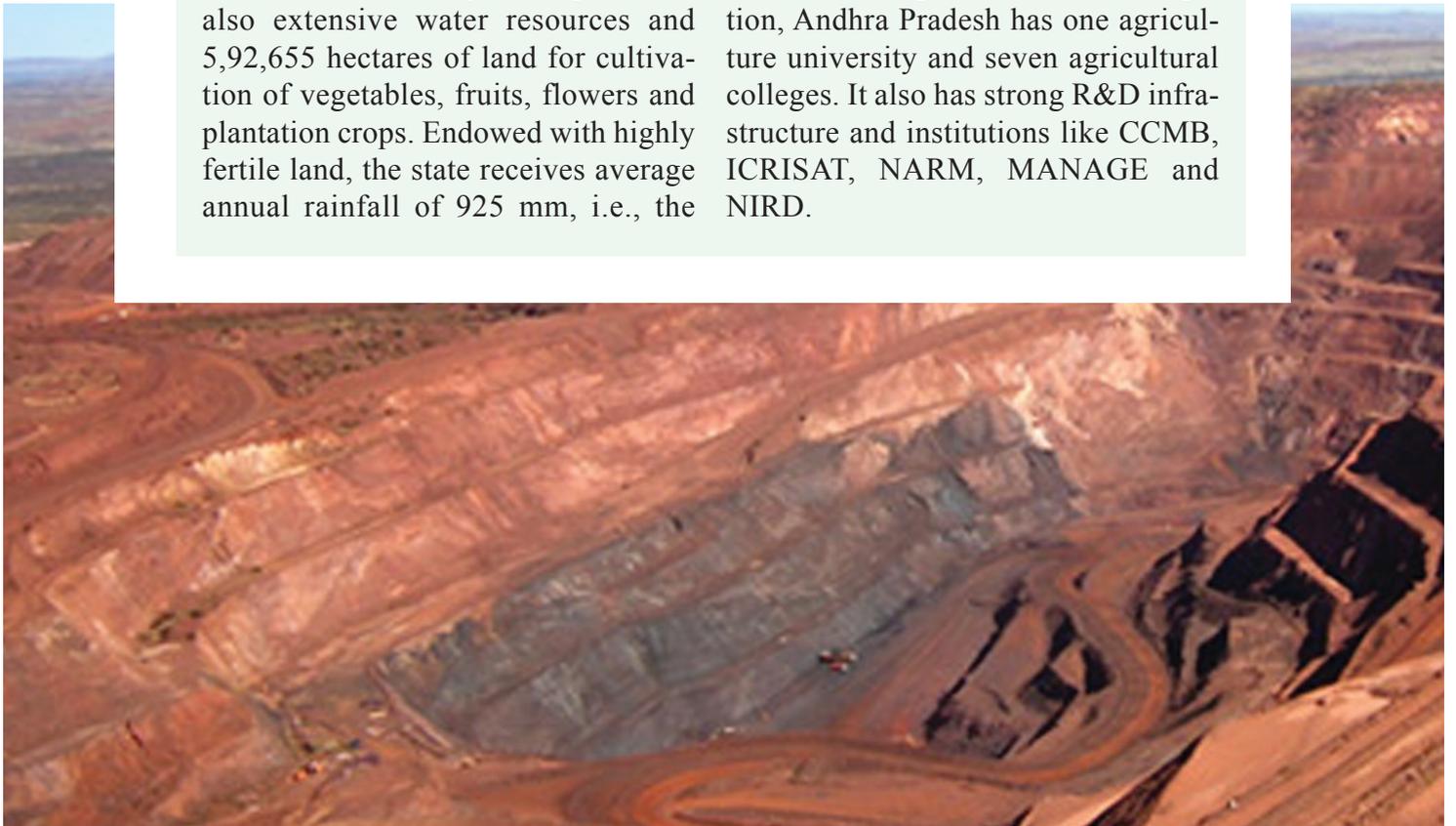


## *Fertile Land*

**I**n what is basically an agrarian state, Andhra Pradesh has a wide range of agro-climatic conditions suitable for a variety of crops. It has also extensive water resources and 5,92,655 hectares of land for cultivation of vegetables, fruits, flowers and plantation crops. Endowed with highly fertile land, the state receives average annual rainfall of 925 mm, i.e., the

rainfall is between 684 mm to 1151 mm.

With having a variety of natural sources and important rivers for irrigation, Andhra Pradesh has one agriculture university and seven agricultural colleges. It also has strong R&D infrastructure and institutions like CCMB, ICRISAT, NARM, MANAGE and NIRD.



## *Mineral Potential*

**A**ndhra Pradesh is endowed with vast and variety of mineral wealth, much of which contains industrial minerals. These minerals are used for manufacturing of fertilizers, ceramics, refractories, abrasives, glass, foundry, oil well drilling, fillers, pigments etc.

The State produces about 42 industrial minerals including certain minor minerals. These minerals include Mica, Barytes, Limestone, Dolomite, Fire Clay, Ball Clay, Feldspar, Fullers Earth, Serpentine, Quartz, Quartzite, Silica Sand, Ochres, Asbestos, Talc/Steatite, Pyrophyllite, Calcite, Vermiculite, Feldspar, Dimensional Stones etc. Some of the minerals produced have placed the state among the leading producers in the country.



### *Bauxite:*

**A**ndhra Pradesh is second richest in bauxite deposits in the country. It has huge reserves of 750 million tons of metal grade bauxite in forests and tribal tracts of Visakhapatnam and East Godavari districts. APMDC has already applied for mining leases in 24 areas and 3 leases are under close finalisation by due completion of environmental impact studies, mine plan and under final stages of process for forest clearance.

## *Potential for Future Ventures*

Andhra Pradesh has the potential of being India's cement and granite powerhouse and is already a dominant producer of coal in South India. It has been producing about 100 to 110 million tons of industrial minerals and 200 million cubic meters of dimensional stones and building material every year and stands first in barytes and limestone production in the country.

The growth in mineral production in the state is being driven by an increased local consumption from various industries that are involved in mineral-based products.

The state government has identified specific minerals to drive future growth of the sector and is offering opportunities for exploration projects in most lucrative fields like diamonds, gold, beach sands, base metals, limestone, granite etc.

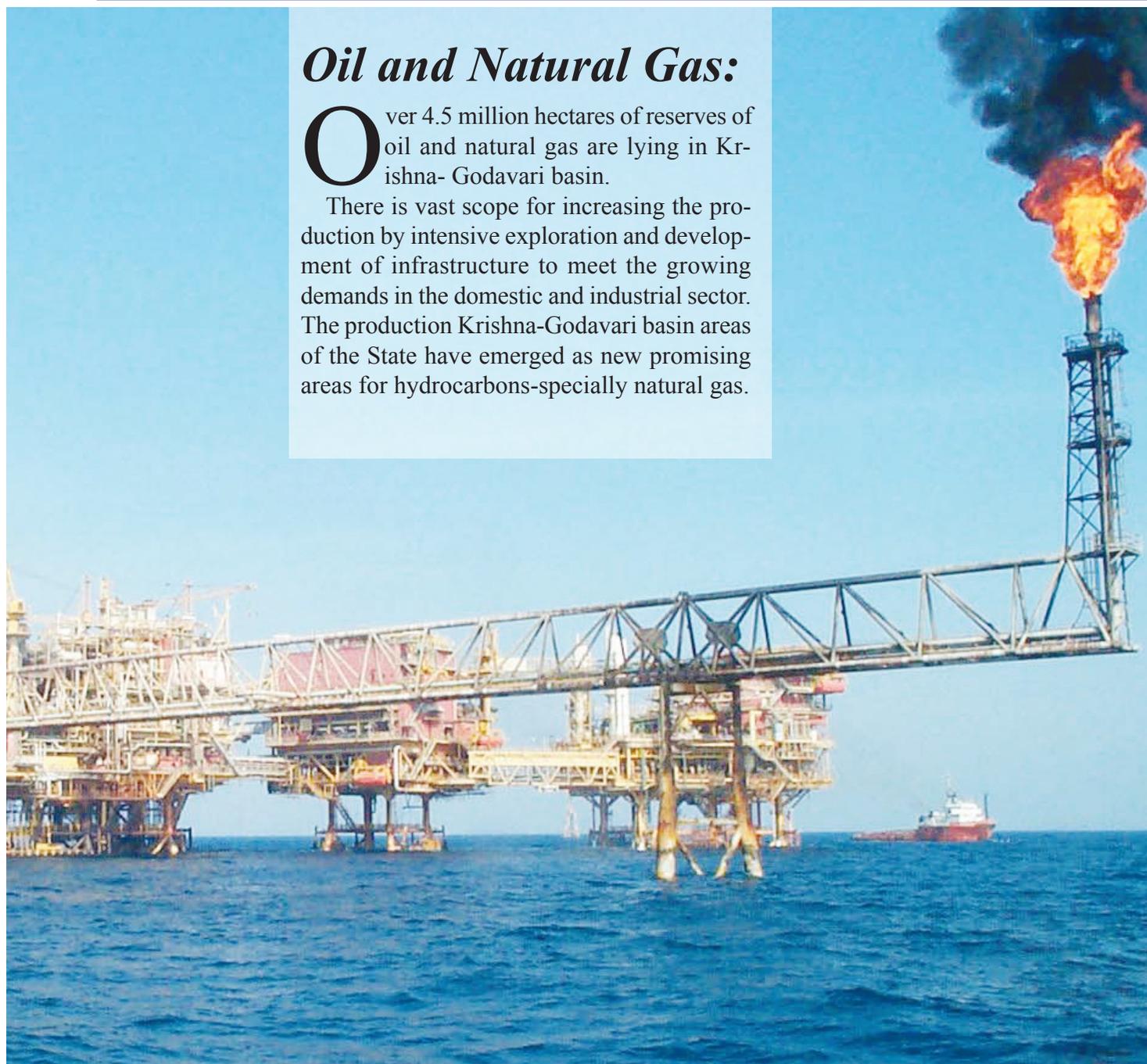




## *Oil and Natural Gas:*

**O**ver 4.5 million hectares of reserves of oil and natural gas are lying in Krishna- Godavari basin.

There is vast scope for increasing the production by intensive exploration and development of infrastructure to meet the growing demands in the domestic and industrial sector. The production Krishna-Godavari basin areas of the State have emerged as new promising areas for hydrocarbons-specially natural gas.



## *Bifurcation blues*

**C**oming to present situation, the state bifurcation is inevitable. Then it is important to all intellectuals, bureaucrats and most importantly political leaders, who are busy spitting venom on each other for this bifurcation, to think about the posi-

tive side of the state and try to prepare a blue print on the strengths and weaknesses.

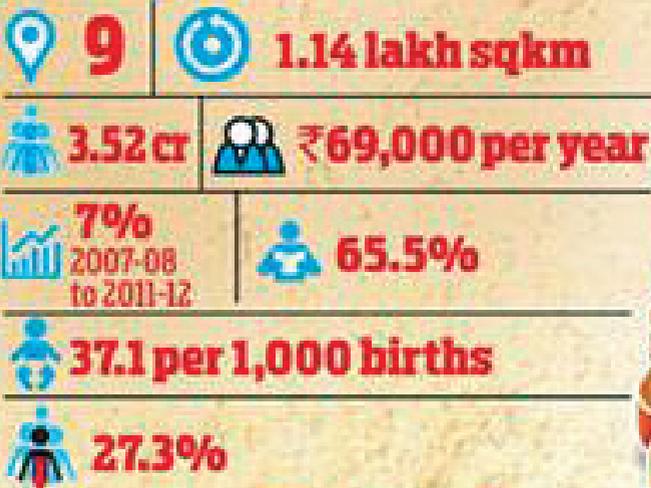
From our side, we are giving the blue print for the bifurcation and thinking that the so-called intellectuals will sit out to work on this.

Like the state, which was the rice bowl of India, the 23 districts are also capable enough to produce the best from their soil. Here are the details of each individual districts and we suggest in which areas the concerns district should work to get the best results.



# All-over development of Andhra Pradesh

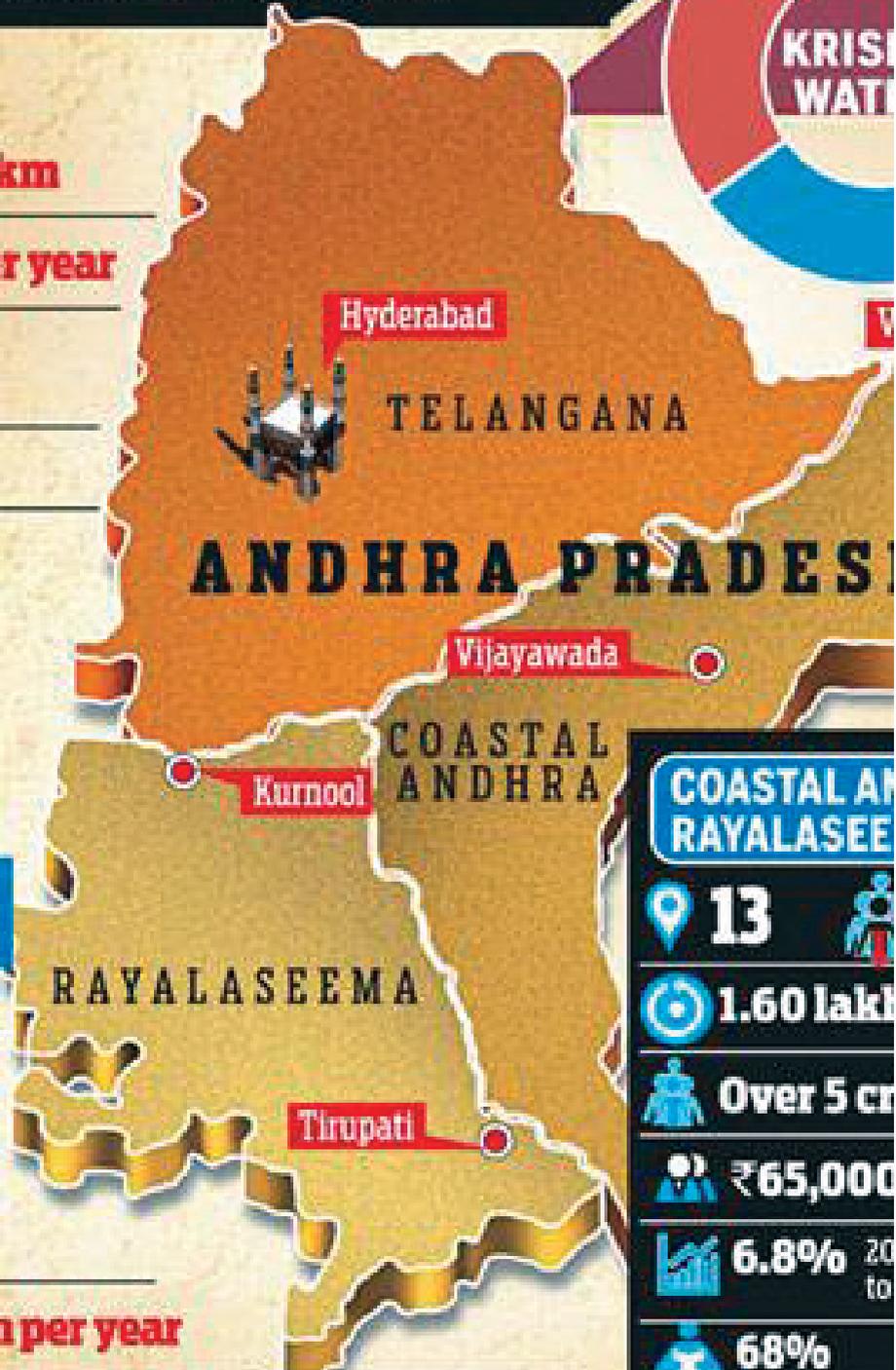
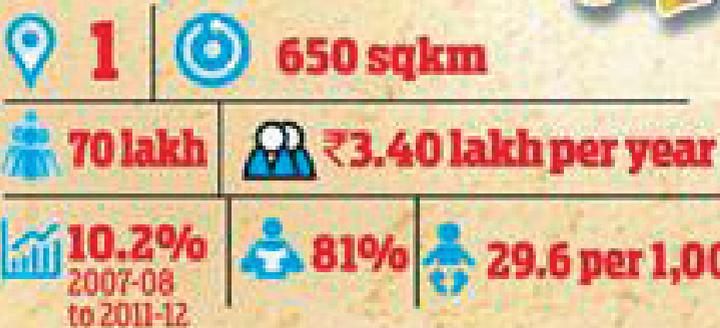
## TELANGANA



- Mostly barren land
- Hotbed of Naxals; shares border with Chhattisgarh
- Acute power shortage

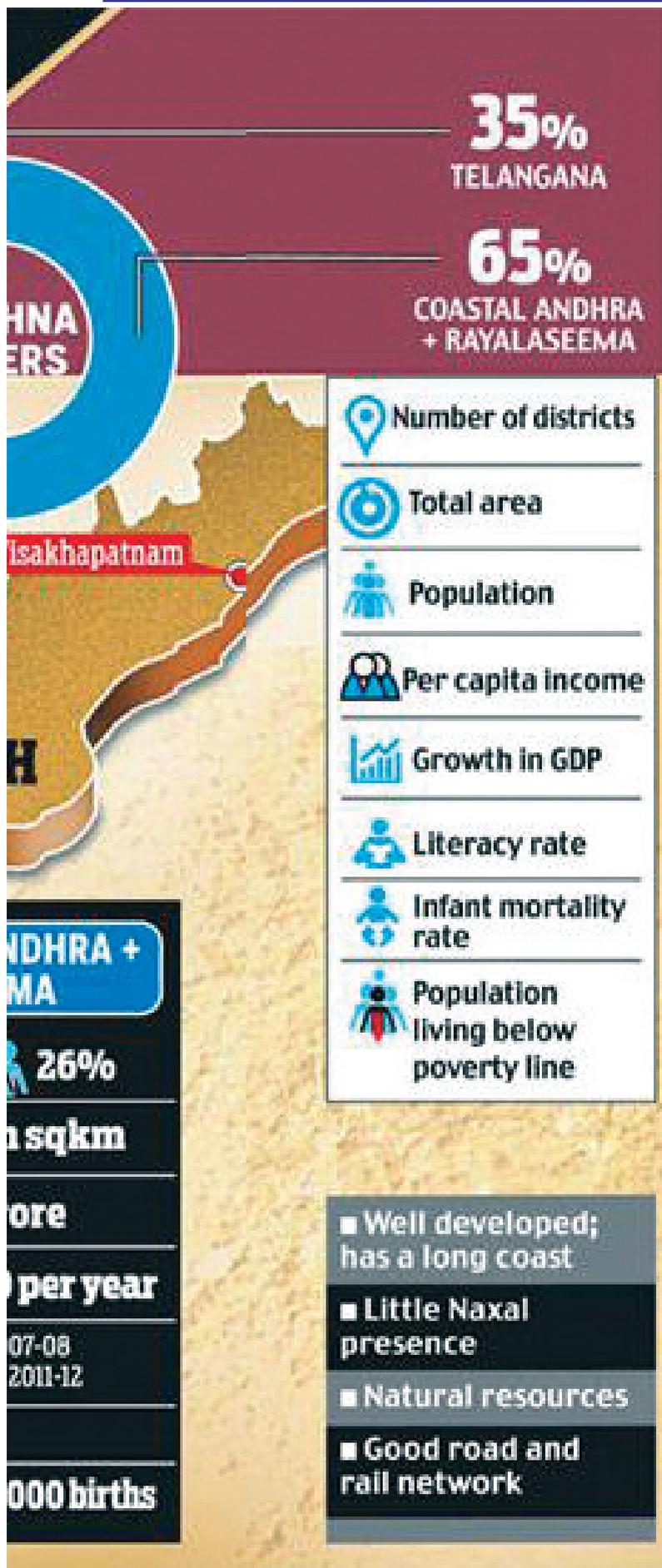
## BONE OF CONTENTION: HYDERABAD

Telangana people say Hyderabad is non-negotiable. The rest of Andhra doesn't want to give up Hyderabad either



## COASTAL ANDHRA RAYALASEEMA





# Problems and Solutions

Rangareddy and Hyderabad have the maximum number of SEZs. Of the 72 notified (103 approved) SEZs in Andhra Pradesh, 40 notified zoned (57 approved) are located around Hyderabad, with Rangareddy accounting for 35 zones (49 approved).

Industry and infrastructure require significant investment with substantial aid from central government.





SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Head Office: SIDBI Tower, 15, Ashok Marg, Lucknow - 226001

SIDBI is the apex financial institution for the Micro, Small and Medium Enterprises [MSME] in the country. It meets the credit needs of the MSME segment in various ways. A brief profile of the Bank is given below:

- Only financial institution dedicated exclusively for the MSME sector.
- Presence in all major commercial centers and MSE clusters.
- Provides all banking services to MSME units.
- State-of-the-art technology platform to provide efficient services to customers.
- Automated processes for quick decisions.
- Nodal agency for several GOI schemes.
- Flexible and innovative credit products.
- Specialized products for clusters and new technology businesses.
- Equity support to growth oriented SME units.
- Flexible products for large corporate having SME vendors and Suppliers.
- Collateral free assistance upon Rs.50 Lakh under CGTMSE Scheme.
- Attractive interest rates.
- Incentive for MSME units rated by SMERA.
- SIDBI is leveraging technology to provide customer services through website like information about products & services, contact information, downloadable application forms, status of loan applications online information about accounts of customers, etc. Submission of online application is also available.

**DIRECT**  
CREDIT SCHEME

MSME  
**RECEIVABLE**  
FINANCE SCHEME

**MICRO FINANCE**

**Government Schemes**

### Associates



Credit Guarantee Fund Trust for Micro and Small Enterprises  
[www.cgtsi.org.in](http://www.cgtsi.org.in)



[www.sidbiventure.co.in](http://www.sidbiventure.co.in)



India SME Technology Services Ltd.  
[www.techsmall.com](http://www.techsmall.com)



SME Rating Agency of India Ltd.  
[www.smera.in](http://www.smera.in)



 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
<p><b>ఆంధ్రప్రదేశ్ రాష్ట్ర చిన్న, మధ్య తరహా పరిశ్రమల సంఘం</b>  <b>FEDERATION OF SMALL AND MEDIUM ENTERPRISES OF ANDHRA PRADESH</b>          Regd. Office: G1, Dwarakamai, Dwarakapuri, Panjagutta, Hyderabad - 500 034. E-mail : info@fsmeap.com</p>					
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION
 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION	 <b>FSME-AP</b> AN ISO 9001 : 2008 CERTIFIED ORGANISATION



# AP in a state of flux

Andhra Pradesh is potential state which has been developed in all aspects. But, the political uncertainty in recent years made the state to find its existence. That may cost the state and central governments. The present situation in state has been creating obstacles to the all-round development. Here we are presenting the details in which the three parts of the state has grown and the scope of the growth in different sectors. Details of Power, Water, Revenue and Taxation, Education, Defense, Industry and Legal issues were given in details and the issues over Hyderabad and Ranga Reddy districts which is also the main factor during the bifurcation was also discussed here.

The power in Andhra Pradesh generated from various sources (coal, hydro, gas, nuclear etc) and assets across these power generation sources are unevenly distributed between the regions. The cost of generation of power varies across the sources and even within the same source. Over 70% of the catchment area of Krishna and Godavari rivers lie in Telangana region while the utilization of water is high in Seemandhra region due to fertile lands. Polavaram project should be upgraded to national status and expedited to cater to the water needs of the region. Over 50% of the revenue for the state government comes from

Hyderabad region. Building a new capital requires significant impetus from central government. Appropriate tax holidays and other incentives should be provided to spurt the growth in the new capital.

Many national universities and institutes such as IIT, University of Hyderabad, International Institution of Information Technology (IIT), Indian School of Business (ISB) etc. are located in and around Hyderabad. Seemandhra region will require special focus to establish institutions like IIT/IIM/NIT and other central university from the Central government.

Many establishments of defense and other strategically important establishments related to national security are situated in and around Hyderabad.

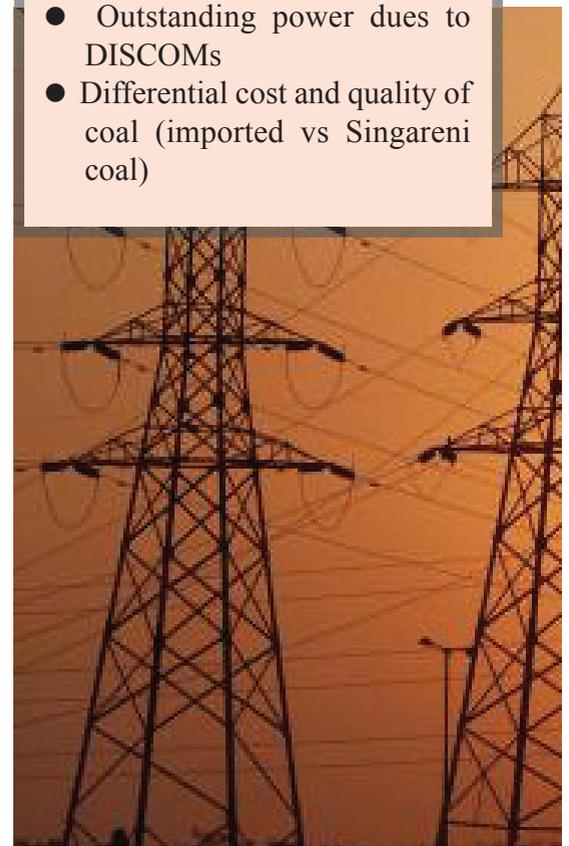
Rangareddy and Hyderabad have the maximum number of SEZs. Of the 72 notified (103 approved) SEZs in Andhra Pradesh, 40 notified zoned (57 approved) are located around Hyderabad, with Rengareddy accounting for 35 zones (49 approved). Industry and infrastructure require significant investment with substantial aid from central government.

Hyderabad which was the erstwhile capital of Andhra Pradesh hosts many business owned by people from all parts of the state have migrated in the search of opportunities and settled in Hyderabad. Appropriate status and protection should be granted for

Hyderabad for a relevant period of time to provide safety and security to people and properties of Seemandhra.

## Potential Areas to be Addressed

- Unequal distribution of power plants (Thermal, Hydro, Gas etc) across the regions
- Variation in the financial health's of DISCOMs
- Variation in power production costs based on source, location and procurement of fuel
- Outstanding power dues to DISCOMs
- Differential cost and quality of coal (imported vs Singareni coal)



### **Andhra Pradesh Power supply Andhra Region**

1. Vizianagaram :- 3,083.0 MW
2. Visakhapatnam:- 5,172.0 MW
3. East Godavari :- 10,009.0 MW
4. West Godavari :- 1,687.5 MW
5. Krishna :- 2,789.0 MW
6. Prahasham:- 8,000.0 MW
7. Nellore :- 23,654.0 MW

### **Telangana Region**

1. Adilabad:- 465.0 MW
2. Karimnagar:- 2,413.2 MW
3. Warangal:- 625.0 MW
4. Medak :- 495.0 MW
5. Ranga Reddy :- 18.0 MW
6. Nalgonda :- 1,624.2 MW
7. Khammam :- 1,636.0 MW
8. Mahabubnagar :- 1,605.5 MW
9. Srikakulam :- 11,310.0 MW

### **Royalaseem Region**

1. Anantapur:- 80.0 MW
2. Kadapa :- 3,176.0 MW

## **Power**

Andhra Pradesh Power Generation Corporation Limited (APGENCO) is responsible for generation in the state. AP TRANSO is responsible for power transmission, the distribution assets are divided among four distribution companies Eastern Power Distribution Company (APEPDCL), Central Power Distribution Company Limited (APCPDCL), Northern Power Distribution Company Limited (APNPDCL) and Southern Power Distribution Company Limited (APSPDCL).

The total Power generation capacity till 2011 December was 15,756 Mega Watts in that AP GENCO produced (5092 MW – Thermal Power; 3829 MW - Hydel). Central Generating Station produced 3,397 MW (3047 MW- Thermal; 349 MW-Nuclear). The independent power producers and APGPCL managed to produced 2,494 MW, 272 MW respectively.

The Renewable Energy production was 670 MWs.

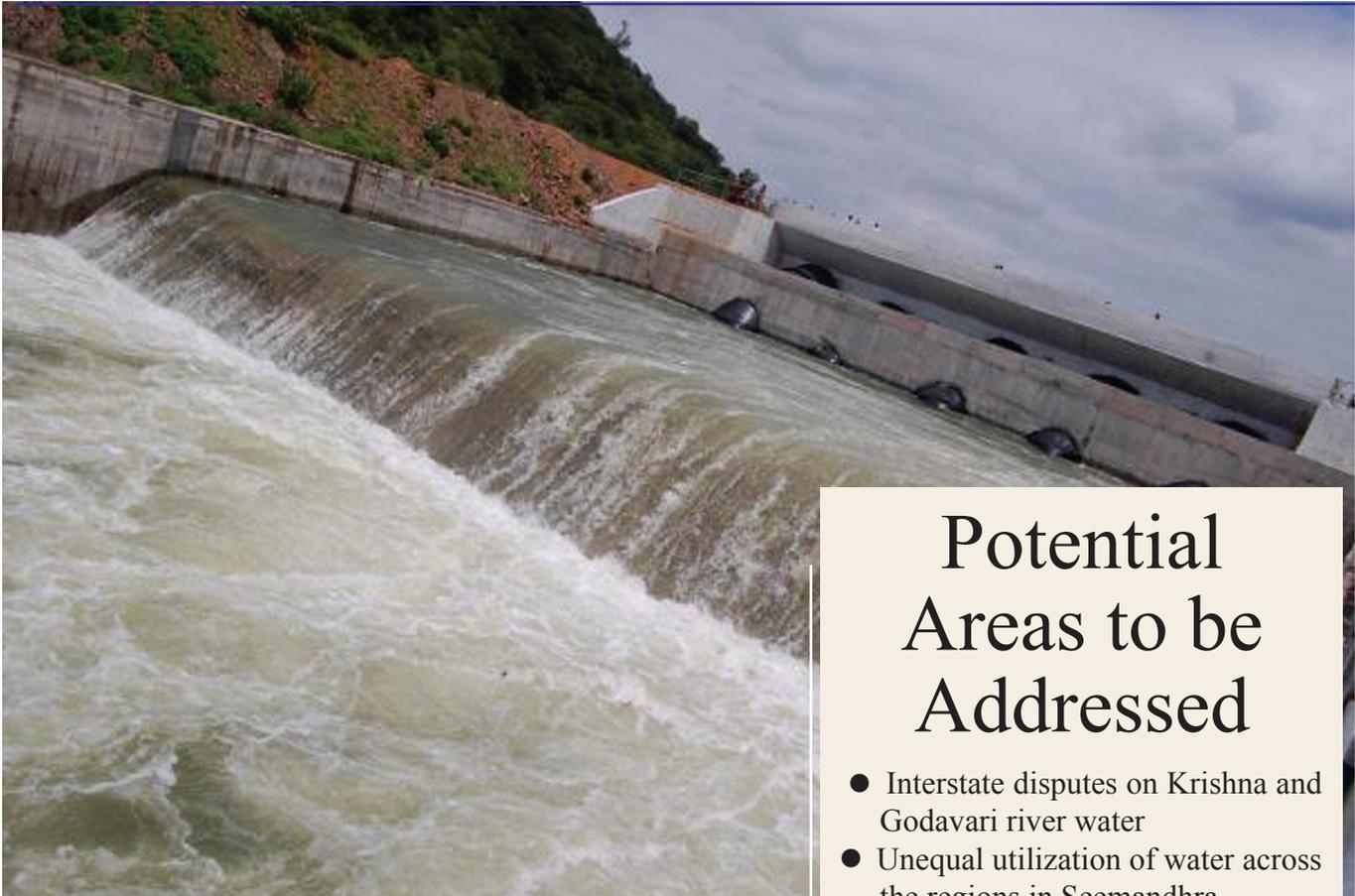
Generation installed capacity by 2010 in coastal Andhra, Rayalaseema and Telangana is 5242.46 MW, 1840.14 MW and 4368 MW respectively.

The major natural resources for power generation in the state include rivers, coal and natural gas while Telangana region has coal fields at Singareni in huge numbers. Seemandhra region has Natural gas is produced from Krishna-Godavari basin. Government of India has allocated coal from Singareni coal mines to Kothagudam Thermal Power Station (KTPS) in Rayalaseema and for Vijayawada thermal power station in coastal Andhra. But, the coal from Singareni collieries is not sufficient and it is costly. So the power generation stations of the Seemandhra region are getting coals from Orissa.

The three regions produce power from Hydal projects. Telangana produces 2427 MW power from Srisailem, Nagarjuna Sagar and Sriramsagar Projects. Meanwhile Rayalaseema and Coastal Andhra regions produce 790 MW and 255 MW respectively.

## **Key asks from Central Government**

- Power produced from all the sources should be appropriately divided
- Power dues should be settled before division
- Coal blocks owned by APMDC in Orissa should be allotted to the Seemandhra
- Power should be divided taking into consideration per unit cost of generation
- DISCOMs should be appropriately divided based on the financial health and assets.



## Water

About 40 major as well as, medium and minor rivers flow through the Andhra Pradesh with a dependable yield of 2764.5 TMC.

Godavari (1480 TMC) and Krishna (811 TMC) rivers are two major interstate rivers that flow through the heart of the state. Telugu Ganga project, Srisailem Right Bank Canal, Kurnool Cuddapah canal extension, Upland areas Brahmamgari matham reservoir, SRBC beyond Gorakallu, (under construction), Pulichintala (under construction), Veligonda project, Handrineeva sujala sarvanthi and Galerunagari sujala sravanthi (under construction) are the major water projects in Seemandhra region.

Telangana is situated at a high altitude in an up-land area. The river Godavari is flowing on the North and the river Krishna is flowing on the South in Telangana region. Apart from the major rivers, there are other small rivers such as Bhima, Dindi, Kinnerasani, Manjeera, Manair, Penganga, Praanahita, and Peddavagu and Taliperu.

Polavaram project envisages transfer of 80TMC of Godavari water to Krishna, and this transferred water is to be shared between the states of Maharashtra, Karnataka and Andhra Pradesh.

## Potential Areas to be Addressed

- Interstate disputes on Krishna and Godavari river water
- Unequal utilization of water across the regions in Seemandhra.
- Exclusion of Rayalseema region from Bachawat Tribunal

## Key demands to be met

- Polavaram project should be a National Project
- Technical Water Management Board should be setup to ensure that the intrastate distribution of water amongst the regions is equitable.
- Bhadrachalam division should be given back to Seemandhra
- Rayalseema region should get a deal in Krishna Water Tribunal and Bachawat Tribunal

# Revenue and Taxation

For the previous financial year is the total outstanding debt was Rs 1.5 lakh crores while the total state's own tax revenue (Sales tax, State Excise, Taxes on MV, Stamps and Registration, Land Revenue, Professional Tax, Others) was Rs 62, 572 crores. The devolution from the centre was Rs 35, 110 crores.

Andhra Pradesh's revenue generation through non-taxes like Mines and Minerals, Forests, Interest receipts, Education, Medical and health, Contra interest was Rs 12, 864 crores.

Meanwhile, Andhra Pradesh's revenue come from Telangana was 61.47% (including 50% from Hyderabad) and 14.71% come from Coastal Andhra, 3.90% from Rayalaseema.

Revenue came from the central government is 19.86% only.



## Potential Areas to be Addressed

- Unequal generation of revenues across the regions
- Unequal economic activity across the regions

## Key demands to be met

- Tax holiday should be given for 20 years for appropriate districts in the Seemandhra
- Tax revenue generated from Hyderabad should be shared for next 10 years.
- Support from RBI – Issue of sovereign bonds to attract foreign investments into the region to develop the state.



## *Region wise details of Industries, Investment & Employment From 2008-09 to 2012-13*

<b>Region</b>	<b>Number of Units</b>	<b>Investment in crores</b>	<b>Employment in persons</b>
<b>Andhra (9 districts)</b>	<b>196</b>	<b>20,110.32</b>	<b>48,079</b>
<b>Rayalaseema (4 districts)</b>	<b>66</b>	<b>12,926.42</b>	<b>18253</b>
<b>Telangana (10 districts)</b>	<b>188</b>	<b>17,628.35</b>	<b>37229</b>



## *Education*

Hyderabad is considered to be the hub of higher education in the state since many National Universities and institutes are located here such as IIT, University of Hyderabad, National Institute of Fashion Technology (NIFT), National institution of Rural Development (NIRD), International Institution of Information Technology (IIIT), and Indian School of Business (ISB) etc. The prestigious National Institute of Technology (NIT) is present in Warangal which falls in Telangana.

### Key demands to be met

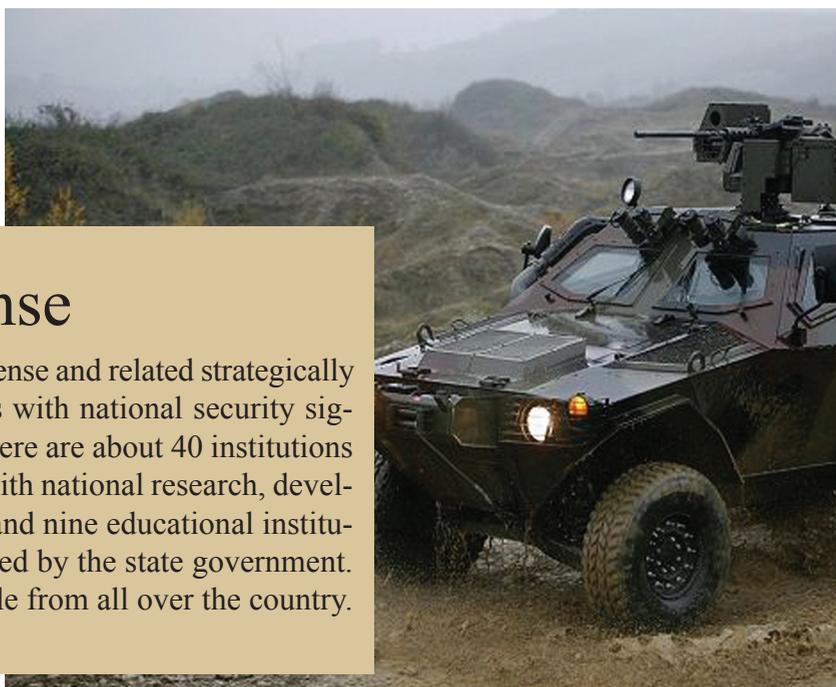
- Establish one Central university
- Upgrade Bapatla Agricultural college to University
- Establish new IIM, IIT, NIT and IISC

### Potential Areas to be Addressed

- The Seemandhra region in need of number of world class intuitions.
- Central University should be given to region.
- National level institutes like IIT/IIM/NIT to be given to Seemandhra



AP-region wise revenue collections of revenue earning departments For the financial year 2013-2013								
Region	Commercial taxed dept	Excise dept	Transport Dept	Stamps and registration dept	Mines and geology dept	Forest dept	Land and revenue	Total
1.Andhra	5,918.69	6,736	1,141.59	2,285.23	456.23	39.69	151.62	16,729.05
2.Rayalaseema	1,146.26	2,382	408.89	482.35	355.41	14.03	20.95	4,809.89
3.Telangana	3,329.5	5,478	644.32	1,104.74	528.52	50.1	71.39	11,206.83
4.Hyderabad & R.R	30,632.72	2,300	1,178.2	2,098.5	107.36	64.38	19.57	36,400.73
<b>Total</b>	<b>41,027.17</b>	<b>16,896</b>	<b>3,373</b>	<b>5,970.82</b>	<b>1,447.52</b>	<b>168.2</b>	<b>263.53</b>	<b>69,146.50</b>



## Defense

Andhra Pradesh has 28 defense and related strategically important establishments with national security significance. In addition, there are about 40 institutions owned by Government of India with national research, development and educational interest and nine educational institutions, mostly universities supported by the state government. All these institutions attract people from all over the country.

## Key demands to be met

- New steel plant in Anantapur
- One refinery in PCPIR
- One port at Ramayapatnam/Dugrajapatnam
- BEL, BDL and BHEL should be established in Anantapur District
- Naval Research Centre in Vizag
- NTPC-BHEL JV at Chittor
- National Manufacturing Investment Zone (NMIZ) near the Chennai-Andhra-Bangalore industrial corridor
- Protection o Seemandhra properties and industries in the Telangana Region.

## Potential Areas to be Addressed

- Unequal development across the regions in terms of infrastructure, industries and agriculture.





## Corporation bank's Helping hand for SMEs

**C**orporation Bank, Nellore Zone conducted SME Expo and product exhibition and entrepreneurs awareness programme for the revitalization of MSME sector on August 23, 2013 in Nellore town hall.

This programme was inaugurated by APK Reddy, FSME-Andhra Pradesh.

MB Ganesh, Zonal Manager, Corporation Bank, Nellore Zone, assured to implement their six-point formula (Adequate Funding/ Timely Funding -Quick sanction/ Affordable Pricing/ Simple process & Documentation/ Crisis Handling/ Choice of Products & Services) for SMEs.

He also said the bank is ready to spend 300 crores for SMEs in Nellore Zone.

Chief Guest APK Reddy requested the bank officials to sanction 100 cr to Nellore district. Assured the bankers to take the responsibility of recovery (Nellore district).

ZM, MB Ganesh promised to fulfill the demands raised by APK Reddy.

He also assured to give loans to Khadi village and MSME sector under CGTSME.



# Banks asked to follow RBI rules to promote SMEs

In an initiative to overcome the problems faced by small and medium enterprise (SMEs) in accessing bank finance, the Reserve Bank of India (RBI) told the bankers to follow RBI guidelines on rehabilitation, nursing and hand holding of sick units scrupulously.

“The level of financial exclusion was very high in SME sector and linking them to formal banking sector was necessary



for overall development of the economy,” K K Saraf, RBI Regional Director of Jammu and Kashmir said during its first meeting on MSME.

He said such meetings create a base for two-way communica-

tion amongst the stakeholders.

The regional director also emphasized the need for ensuring adequate and timely flow of credit to the sector.

On the occasion, Parvez Ahmed the Executive President of J & K Bank explained the role of banks in promoting the SMEs in the state. The bankers also assured all support in meeting the genuine requirement of the entrepreneurs.

## SEBI norms for SME

A corporate entity in the small and medium segment will be eligible for listing on the SME exchanges without IPO if it has not completed a tenure of over 10 years after incorporation and its revenue has not exceed Rs 100 crore in any of the previous financial years, according to the Securities and Exchange Board of India SEBI guidelines for such listings on the Institutional Trading Platform (ITP).

According to the guidelines issued by the stock market regulator, a company aspiring to list on the stock exchange without an IPO should also have got an investment of at least Rs 50 lakh by an alternative investment fund/venture capital fund/ by a merchant banker/or an angel investor or a specialised international multilateral agency, or a public financial institution, among other such investors.

A company can also raise funds through private placement or through a rights issue. However, in case of a rights issue, there would be no option for renunciation of rights. The company seeking to get listed on ITP will have to agree to make required amendments to its Articles of Association, as per the guidelines of SEBI.



The promoters of SMEs will not be able hold less than 20 per cent of the post listing capital of the company and the same would be locked-in for a period of three years from date of listing

These are important guidelines as they pave way for the SMEs and start-up companies to get listed and traded on the stock market without really offering public shares which involve huge expenses and compliance costs.

Even in the early stages of growth, the SMEs and start-ups will be able raise capital from the securities market.

The small industry representatives including the apex Federation of Indian Micro, Small and Medium Enterprises (FISME) have been demanding more avenues for raising the equity capital for the SMEs since they cannot rely too much on debt.



# Industrial View

First and only platform for MSMEs

## Subscribe to 'Update on Industrial View'

1 year : Rs.2400/-

2 years : Rs. 4000/-

3 Years : Rs. 6000/-

Yes, I would like to subscribe to Industrial View

Name: Mr/Mrs/Ms. \_\_\_\_\_ Address: \_\_\_\_\_

Tel/Fax: \_\_\_\_\_ Mobile \_\_\_\_\_ E-mail: \_\_\_\_\_

Occupation \_\_\_\_\_ please start my subscription from the month of \_\_\_\_\_

Payment Details \_\_\_\_\_ Online/ cheque/demand draft No. \_\_\_\_\_

for Rs. \_\_\_\_\_ Dated \_\_\_\_\_ drawn on \_\_\_\_\_ branch \_\_\_\_\_

in favor of FSME-AP, Hyderabad.

**Note:** Online Banking current A/c no.053411100002342, Andhra bank, somajiguda, HYD.

IFS CODE:ANDB 000 0534

Please add Rs.30/- for outstation cheques

Signature

**Subscription, Advertising to be sent to . Federation of Small and Medium Enterprises of  
Andhra Pradesh ,G1,Dwarakamai,Dwarakapuri,Panjagutta,Hyderaad-500034. A.P.**

PUBLISHED BY

### FEDERATION OF SMALL AND MEDIUM ENTERPRISES OF ANDHRA PRADESI

( Registered Under Section 25 of the Companies Act 1956)

Regd ofc: G1 – Dwarakamai, Hindi Nagar, Dwarakapuri, Panjagutta Hyderabad - 500032

(M) -91-9848893055, 9642088889, 040-23358889 Fax : 040 – 23359961

E-mail: president@fsmeap.com Website: www.fsmeap.com

APPLICATION FOR SERVICES MEMBERSHIP

## Advertise in Industrial View

Reach out to the target audience

Back Cover	Rs 90,000
Front inside	Rs 60,000
Back Inside	Rs 50,000
First page	Rs 30,000
Full page	Rs 25,000
Half page	Rs 15,000

To Subscribe:

Contact

9963777915

9642088889

PLOT.No. G1, DWARAKAMAI APART,  
HINDI NAGAR, DWARAKAPURI COLONY,  
PANJAGUTTA, HYDERABAD, A.P.

E-Mail: president@fsmeap.com





कामये दुःखतप्यानाम् ।  
प्राणितान् आर्तिवाशनम् ॥



# PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME



**ప్రధానమంత్రి ఉపాధి కల్పనా పథకం ద్వారా**

**మీ కలలను సాకారం చేసుకొండి**

**ఖాదీ మరియు గ్రామీణ పరిశ్రమల కమీషన్**

(సూక్ష్మ, చిన్న మరియు మధ్యతరహా పరిశ్రమల మంత్రిత్వ శాఖ, భారత ప్రభుత్వం)

గాంధీభవన్, పోస్ట్ బాక్స్ నెం - 362, యమ్.జె. రోడ్డు,

నాంపల్లి, హైదరాబాద్ - 500 001 ఫోన్ : 040-2460 2717, 2460 8463

web : [www.kvic.org.in](http://www.kvic.org.in) , [www.pmegp.in](http://www.pmegp.in), e-mail : [kvichyd@yahoo.com](mailto:kvichyd@yahoo.com), [skv\\_hyd@dataone.in](mailto:skv_hyd@dataone.in)



**12. మార్జిన్ మనీ ( మిడిల్ ఎండెడ్ సబ్సిడీ )**

పి.యం.ఇ.జి.పి లో వివిధ లబ్ధిదారులు	లబ్ధిదారుని పెట్టుబడి (ప్రాజెక్టు వ్యయంలో)	సబ్సిడీ శాతం (ప్రాజెక్టు వ్యయంలో)	
		పట్టణ	గ్రామీణ
ప్రాంతము (ప్రాజెక్టు / యూనిట్)			
సాధారణవిభాగం	10%	15%	25%
మహిళలు / ఎన్.సి. / ఎస్.టి. / వెనుకబడిన తరగతులు / మైనారిటీ వర్గాలు/ వికలాంగులు మరియు మాజీ సైనికులకు చెందిన లబ్ధిదారులు.	5%	25%	35%

- గమనిక : 1. ఉత్పత్తి పరిశ్రమ ప్రాజెక్టులకు గరిష్ట పరిమితి వ్యక్తులకు / సంస్థలకు రూ. 25 లక్షలు  
 2. ఉత్పత్తి పరిశ్రమ అనగా సర్వీస్ ప్రాజెక్టులకు గరిష్ట పరిమితి వ్యక్తులకు / సంస్థలకు రూ. 10 లక్షలు.  
 3. మిగతా మొత్తాన్ని బ్యాంకులు రుణంగా మంజూరు చేసి, రుణం మొత్తం సొమ్మును లబ్ధిదారునికి అందజేస్తారు.

**నెగెటివ్ పరిశ్రమల జాబితా:**

నెగెటివ్ పరిశ్రమల (పి.యం.ఇ.జి.పి. ద్వారా మార్జిన్ మనీ సౌకర్యం పొందడానికి అర్హత లేని) జాబితా :

- ఎ) మాంసం (ప్రాసెసింగ్, క్యానింగ్ మరియు లేదా సరఫరా) మరియు మత్తు కలిగించు పదార్థములు బీడి, పాన్, సిగరెట్ ఉత్పత్తి / తయారీ / పంపిణీ, మద్యం సరఫరా చేసే హోటల్ లేదా దాబా, సారాయి అమ్మకం, పాగాకు ఉత్పత్తి లేదా ముడిసరుకుగా ఉత్పత్తి చేయు యూనిట్లు
- బి) పంటలు/చెట్ల పెంపకం, పశుపోషణ, చేపలు, రొయ్యల పరిశ్రమలు, పండుల పెంపకం, కోళ్ళ ఫారాలు మొదలైనవి. ఖాదీ, పాతీ వస్త్రాల, హార్వెస్టర్ మిషిన్, పరిశ్రమలతో సహా.
- సి) 20 మైక్రాన్ ల కన్న తక్కువ మందం ఉన్న పాలిటెన్ కవర్ల తయారీ లిస్టెక్టివ్ ప్లాస్టిక్ కంటైనర్లు మరియు పర్యావరణానికి హాని కలిగించే కాలుష్యాలను విడుదల చేసే అన్ని రకాల పరిశ్రమలు :

- డి) ఖాదీ, పాతీ వస్త్రాల, పాస్టీనా వూల్, మరియు ఇతర పరిశ్రమలు ఏవైతే ఖాదీ కమిషన్ ద్వారా లిబేటు పొందుతున్న యూనిట్లు
- ఇ) రూరల్ ట్రాన్స్ఫార్మేషన్ ( అండమాన్ నికోబార్ దీవులలో ఆటోలక్షణము కాశ్మీర్ లో టూలిస్టు బోటు, హాస్ బోటు మరియు శికారాలను మినహాయించి)

నెగెటివ్ పరిశ్రమల జాబితాలో లేని ఎటువంటి ప్రాజెక్టులైనా స్థాపించవచ్చును. ఈ ప్రాజెక్టులు పైన పేర్కొన్న నియమ నిబంధనలను పాటించవలసి ఉంటుంది.

**ఇతర వివరాల కొరకు - సంప్రదించండి.**

**రాష్ట్ర కార్యాలయం**  
**ఖాదీ మరియు గ్రామీణపరిశ్రమల కమిషన్**  
 పోస్ట్ బాక్స్ నెం. 362,  
 గాంధీ భవన్, యం.జె. రోడ్, నాంపల్లి,  
 హైదరాబాద్ - 500001.  
 ఫోన్ : 040-2460 8463. ఫ్యాక్స్ : 040-2460 2717  
 Web: www. kvic.org.in, www.pmegp.in  
 e-mail : kvichyd@yahoo.com, skv\_hyd@dataone.in

**పరిశ్రమల కమిషనర్**  
 ఆంధ్రప్రదేశ్ ప్రభుత్వం చిర్రాగ్ అలీ లేన్, ఆబిడ్స్, హైదరాబాద్.  
 ఫోన్ : 040-2344 1666 ఫ్యాక్స్ : 040-2344 1611.  
 అన్ని జిల్లా కేంద్రాలలోని జిల్లా పరిశ్రమల కేంద్రం కార్యాలయాలు.

**ఆంధ్రప్రదేశ్ ఖాదీ మరియు గ్రామీణ పరిశ్రమల మండలి,**  
 హుమాయూన్ నగర్, హైదరాబాద్.  
 ఫ్యాక్స్ : 040-2339 9645 ఫోన్ : 040-2339 7353  
 ఇ-మెయిల్ : apkvib@ap.nic.in, apkvib@yahoo.com

అన్ని జిల్లా కేంద్రాలలోని ఎ.పి. కె.వి.ఎ. బోర్డు కార్యాలయాలు

ప్రాంతీయ కార్యాలయం  
**ఖాదీ మరియు గ్రామీణపరిశ్రమల కమిషన్,**  
 శ్రీ హరి ప్రాజా, మహారాజీ పేట, విశాఖపట్నం,  
 టెలిఫోన్ : 0891 - 2561156, 2565904  
 ఇ - మెయిల్ : kvic@md4.vsnl.net.in

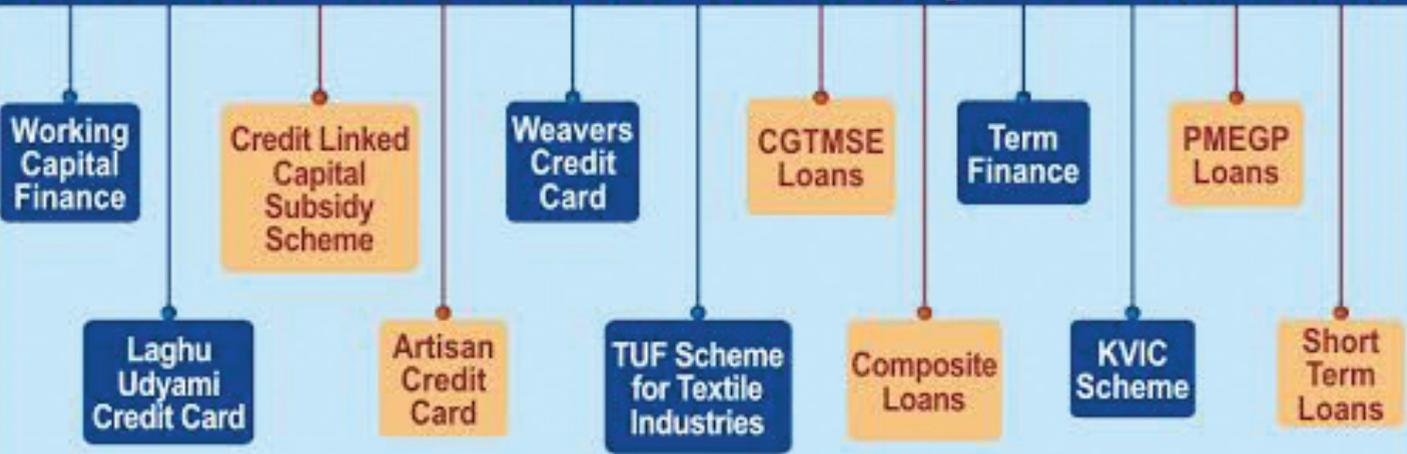
**అన్ని జాతీయ బ్యాంకులు**





# Andhra Bank's Priority

## Micro Small & Medium Enterprises (MSME)



**Online Application**  
**Hassle Free Process**  
**Priority Attention**  
**Competitive Interest Rates**

- Application can be filed online through our website [www.andhrabank.in](http://www.andhrabank.in). Application format can also be downloaded and duly delivered at branch or zonal office.
- For any further clarification, please contact Chief Manager, Credit at the nearest zonal office. The contact numbers are available in our website.



Where India Banks

[www.andhrabank.in](http://www.andhrabank.in)