

Newsletter PACER October 2020

President's Message



Dear Friends.

I take it as a privilege to address you once again through this issue of APCRE's e-Newsletter "PACER." Three months have passed since the release of our last issue. Lots of changes have taken place. The lock down has been almost lifted now, and people are getting used to their normal routines, albeit with some adjustments. Of course, Governments and medical experts have been constantly advising everyone to take appropriate and adequate pre-cautions. It is our responsibility to follow these rather simple pre-cautions like wearing face-masks properly and keeping physical distance protocols. It is in our interest as well.

A number of initiatives have been put through for the promotion of MSMEs. In this context, the YIEDA scheme, launched for the benefit of Indian Toy Manufacturers, is once such welcome move and is likely to boost the local craftsmen to become exporters of toys; and the compulsory BIS certification w.e.f. 1st Sep 2020, will ensure the safety as well as quality of the toys made in India

on par with global standards and is very certain to boost the exports of toys. It may look simple, but let us understand that this sector is estimated to have a potential to earn Rs. 8000.00 crores in exports. It will be a boost to Indian toy manufacturers and will spur economic activity at the village level. ATMA NIRBHAR BHARAT will lead us to become self-reliant and self-sufficient; which is especially significant for MSMEs who are poised to become leading exporters at the global levels. This opens abundant opportunities for the MSMEs. But it is easily said than realized. There is a long way to go. MSMEs have to be highly innovative in bringing out a variety of products to suit varying customer demands. Next comes the challenge of cost-effective production, as well as using latest tools and techniques. Finally, we have to take care of the skill gaps. The available skill sets have to be honed to match the demands of global skill sets; not an easy task indeed, but our MSMEs are up to it.

In our last issue, we have stated about APCRE's six pillar approach to facilitate Indian Industries, especially MSMEs, to keep themselves at the forefront of global competition and, at the same time facilitate them to be more socially responsible, which APCRE has been constantly pursuing.

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Next is the webinar series we have been conducting on important topics for the benefit of MSMEs. This time also, we have conducted one more webinar co-hosted by CLIK (Consortium of Electronic Industries of Karnataka, representing the electronic industries and small scale electronics units in Karnataka), on the topic "Techniques for Growth and Global Competitiveness" which was handled by Dr. S.M. Jagadish, APCRE member and TQM Expert, on 7 August 2020. I thank CLIK association office-bearers and members for their enthusiasm in co-hosting the event. The programme was well received and was very interactive.

We have also embarked on providing skills training on Effective Shop Floor Management, to shop floor personnel from engineering, garments, leather and tannery sectors, through three of our eminent experts, Mr. Sivadass, Mr. Rajesh and Mr. Krishnan. The programme is a 25 hour online programme, spread across 12 days, to facilitate participation by shop floor personnel beyond their office hours. The first batch was held from 14th Sep 2020 to 7th Oct 2020 and a test was conducted at the end of the programme. We received excellent feedback; seeing the efficiency and immediate results, there was demand by the participating industries to repeat this programme for more batches, which we are doing now. Additionally, APCRE conducted one more online training programme for shop floor engineers, on the topic,

"Work Study, Method Study and Work Measurement" by one of our senior consultants Mr. Hemant Shidaye, between 27th October and 29th October, 2020. The programme was also received very well and we got very good feedback.

Along with other activities, APCRE, plans to provide training, on a regular basis, so that the Industries, especially the MSMEs, are benefitted through tailor made, efficient, short and conveniently conducted programmes.

We have three enlightening articles in this issue on necessary and relevant topics, i.e., Mutual Credit Guarantee Scheme for MSMEs, Policy Deployment Audit and Converting Movement into Motion for MSMEs-Part 1. I sincerely thank the authors for their very good articles.

We are thankful to "DEFT advisory and Research Private Limited" for sponsoring this issue.

Now it is time for the festival season. I wish you all and your family members and friends a very happy and safe festival season. While celebrating, please ensure that all protocols are observed, including physical distancing, wearing appropriate face masks etc.

Raghavan Kadambi, President- APCRE



APCRE WEBINAR for CLIK Units on7th August, 2020, on the topic "Techniques for Growth and Global Competitiveness"

APCRE, as part of its ongoing efforts to provide technical support to MSMEs to become globally competitive, organized a webinar exclusively for CLIK Association (Consortium of Electronic Industries of Karnataka) Member Units on 7thAugust, 2020 (Friday)from 16:00 to 17:00 hrs. Mr. K.C.

Raghavan, President-ACPRE welcomed the participants and thanked CLIK association for giving APCRE an opportunity to co-host this webinar and also outlined the various activities being carried- out by APCRE, to support MSMEs. Mr. Mohandas Ukkandath, (past) President-CLIK Association, delivered the inaugural address and explained the various initiatives of CLIK association to promote latest market trends and opportunities for its members. Dr. S.M.Jagadish, Sr. Consultant, APCRE, conducted the webinar and made an excellent presentation outlining the latest management concepts and the necessity for CLIK units to adapt to the changing demands and come out successfully.; Mr. K. Ganesh, Management Consultant-APCRE, conducted the question and answer sessions during which CLIK members wanted to know what sort of new products they could develop in these COVID-19 days. Mr. Ganesh replied that, as one example, medical test kits are in great demand in the market and they could go in for their production.

Mr. B. Palaniappan, Technical Consultant & Member-APCRE summarized on the way forward and exuded confidence that recovery from COVID 19 may happen shortly and we need to be positive.







Mutual Credit Guarantee Fund (MCGF) Scheme

(An Innovative solution to MSMEs Credit problem)



Mr. S. Sivagnanam,
Additional Industrial Advisor (Retd.,)
Ministry of MSME
Government of India

Availability of adequate, affordable & timely credit to the MSMEs is the most important issue of all time. No Bank/financial institutions will extend credit support to any MSME without collateral Security/Guarantee. Either the borrower (MSME) has to produce collateral security / guarantee or the Government has to provide guarantee on behalf of the MSME borrowers.



Inadequate credit support by the Bank, i.e. 20% cap for working capital, Insistence of additional collateral, delay in receiving payments from the clients, and timely payment to GST, are the primary reasons for MSMEs to become insolvent even in the inception stage itself.

In addition to this, the high cost of credit, procurement of raw materials on credit, has further eroded the competitiveness of the MSMEs. Any announcement by the Government to support MSME borrowers will yield results only if the Branch Managers of lending Banks are convinced & adequately protected with necessary collateral.

The solution for this credit problem is to create a model that will give complete protection to the Branch Manager of the Lending Bank to enable him to release the Loan without any hesitation.

One such innovative model (a Scheme) was tried at Coimbatore a few years back, with the help of SIDBI to help Wet Grinder Accessories Manufacturers to meet their working capital requirements. The Scheme's name is **MCGF** (Mutual Credit Guarantee Fund)

Objective of the scheme

To provide comfort to the bankers by way of depositing guarantee funds with them as collateral securities on behalf of a group of like-minded MSMEs. This

is to enable the bank to consider favorably the financial assistance to such borrowers so as to enhance their competitiveness.

Methodology 1

- ASPV (A Special Purpose Vehicle) has to be formed with at least 10 members. Each member has to contribute (say) Rs. 0.5 lakh. Assuming there are 10 members, then the contribution would be Rs.5 Lakh and SIDBI can contribute matching funds to the tune of Rs.5 lakh by way of interest free loan to be repaid in 5 years. The entire loan amount is to be paid in 3 installments (30% at the end of 3rd year, 30% at the end of 4th year, 40% at the end of 5th Year).
- Both the member contribution and SIDBI's contribution put together is the MCGF i.e 10 lakhs.
 10 lakh will be deposited with the lending bank as corpus fund, Considering this as 50% collateral the lending bank can provide double the amount as loan/working capital to the said group of borrowers i.e 20 lakhs

Let us analyze the above process:

Each member's contribution is Rs. 50,000/whereas the working capital fund available for
the group is Rs. 20 lakhs i.e Rs.5 lakh per member. Individuals can avail Rs. 5 lakh to make cash
purchases or the group can make bulk purchases.



- The working capital cycle is assumed to be one month. Therefore, there will be 12 rotations/ purchases with minimum savings of Rs.50,000/per purchase per month and due to this soft loan support and timely injection of finance, the profit margin will be increased manifolds. The savings to be accrued out of the bulk purchase would be still higher.
- Any Industry Association can act as Implementing Agency (IA)
- Each SPV Member shall deposit Rs.1000/- per month with IA to build re-serve fund.
- This reserve fund could be utilized for partial or full repayment of SIDBI's unsecured loan.
- IA shall charge 3% per annum of the guaranteed amount from each of the members in the beginning of the financial year. This fund may be utilized for administrative and other expenses.
- The rate of interest will be Bank PLR
- Funds placed with the Bank shall be invoked to the extent of 75% of the principal loan outstanding
- Loan outstanding: In case of any default after exhausting the normal recovery procedure, Bank will have the first Charge.; SIDBI will have the second charge.
- A recommendation committee is to be constituted to scrutinize the proposal of SPVs. 3 Members from Industry Association may be declared as screening committee members.

- A monitoring committee to be formed comprising representatives from Industry Association,
 SIDBI & Bank
- In case of any dispute between Borrowers and Bank, the Decision of SIDBI shall be final

SIDBI's role can be substituted by any State agencies like SIDCO, TIIC etc.

Methodology 2

Each Industry Association member will contribute Rs. 5 lakh. In case there are 500 members, the total accumulated amount would be Rs. 2,500 lakh (25 Cr.). Keeping this as a 10% guarantee fund, State Government / State Government agencies like SIDCO, TIIC can contribute 90% i.e. 225 Cr. Thus total guarantee fund is 250 Cr. This amount may be kept with a lending agency (LA) as a security. LA can extend Collateral free loans to Industry Association members. 10 times the guaranteed amount may be given as Loan to members of Industry Association. Industry Association and LA can have MOU with CGTMSE so that 75% of the defaulted amount if any may be claimed. Therefore, the Guaranteed amount is fully secured. It will also accrue interest.





Hemanth Shidaye, Senior Consultant - APCRE

Policy Deployment- Audit

Reporting Method for Policy Deployment (Hoshin Kanri)

Hoshin Kanri is a methodology to eliminate the waste that comes from company leadership, inconsistent direction and poor communication among the team. This methodology ensures that the strategic goals of a company drive progress and action at every level within that company.

How to conduct an audit for a Company Policy Deployment?

Ask below questions to yourself before conducting audit for Policy Deployment for any company:

- 1. What is the reporting method and what are the control items?
- 2. Is there alignment all the way down from the mission statement through the reporting method?
- 3. Is policy deployment effective at all levels of the company?
- 4. Does everybody understand their related portion of policy deployment and how they can contribute to the overall plan? Is there agreement with all the key elements of policy deployment?
- 5. Does the company use a Plan-Do-Check-Act methodology and A-3 Thinking to formulate Policy Deployment?

Things to look for in Policy Deployment:

1. Reporting process flow charts with timing and accountabilities highlights

How: - Interview members from various levels in the company, including value stream managers and group leaders.

- 2. Relationship between baby (shop floor) and mother (strategic) A-3's. There should be a connection between strategy and shop floor observation.
- **How:** Interview members from various levels in the company, including value stream managers and group leaders.
- 3. Focus and consistency of organizational purpose.

How: - Interview members from various levels in the company.

- 4. Effective deployment of the plan. Look for effective reporting methods and frequency.
- **How:** Interview members from various levels in the company.
- 5. Evidence and documentation of Plan-Do-Check-Act activity to develop and implement policy deployment. A-3 format used as a tool for policy deployment and reporting.

How: - Look for documentation.

The above policy deployment activities may fall into the following three categories/levels. Find at what level your organization falls right now

Level one

1. There are ad-hoc reports with no formal system.



2. Data collection and reviews against targets are rarely performed. Reports against policy deployment goals are irregular and inconsistent.

Level Two

- 1. Reports and reviews are standardized and structured for most of the organization.
- 2. Reports and reviews are standardized for most of the organization with structured review times and accountabilities. The report format is easy to use and conforms to annual targets.
- 3. Annual activities are checked and reviewed on a weekly or monthly basis by the target owners and their management.
- 4. A Plan-Do-Check-Act methodology is sometimes used for problem identification, root cause determination and corrective action. Problems are seen as opportunities for continuous improvement
- 5. Data collection and reviews against targets are regularly performed, but only top or middle management are usually engaged.

Level Three

- 1. Reporting methods are standardized throughout the organization with structured review times and clear accountabilities. A Plan-Do-Check-Act methodology is utilized for self-diagnosis. The frequency of reporting supports quick response to changing conditions.
- 2. Reports and reviews are standardized throughout the organization with structured review times and clear accountabilities. The report format is easy to use and conforms to annual targets.
- 3. Annual activities are checked and reviewed on weekly or monthly basis by the target owners and

their management. Team achievements are recognized / celebrated (suggestion systems).

- 4. A Plan-Do-Check-Act methodology is utilized for self-diagnosis, root cause determination and corrective action. There is an emphasis on problem recognition, supportive corrective action plans and follow-up. Problems are seen as opportunities for continuous improvement.
- 5. Data collection and reviews against targets are accurately performed with relevant diagnosis of missed targets. Reviews engage a wide range of teams across the enterprise, not just senior and mid-level management.
- 6. The policy deployment process is reviewed in order to determine its implications and possible improvements for the next year.

Converting Movement into Motion for Indian MSMEs



Mr. Venkata Subramanian,

Senior Consultant, APCRE

The current business situation is challenging. However, it is providing opportunities, as well. The challenges are multi-fold; and it is like big rock boulders all around waiting to fall on us damaging significant resources, while the opportunities are the small pebbles, which are well-rounded, valuable as well as good products which can be used to build the future



and they can be found in between the gaps of the large boulders.

The fact is that the challenges are waiting for the learners (i.e. we), so what we have to do is to identify those small pebbles (opportunities) and take them out without allowing the boulders to fall on us. The same is true for MSMEs (micro, and small medium enterprises), where the resources and efforts are required to identify the boulders and escape from them as well as to understand the opportunities available in between those boulders that it is capable of and taking them out without causing much of the damage. This is even a greater challenge.

For MSMEs, I want to share some of the key things which we can do in this respect, as we are all going through difficult time in the post COVID-19 world. Running business is not going to be the same when we consider the huge impact the pandemic has created in the global business scenario. Large enterprises are talking about laying-off significant number of human resources, reducing manpower, cutting costs, and salary payments constrains amongst these challenges. The resultant impact it can create on the MSMEs can be mitigated if one can identify those opportunities (small pebbles in between those boulders) which are valuable sources and also has a trade opportunity for business. I propose a series of suggestions and approaches to adopt in this changing environment of work. The suggestions

could be taken for consideration and adaptation at micro level, as well as at the individual level to change their perspective of things which we have been seeing all along.

The first set of suggestions is the **Two T**. The first T **Technology** and second T **Training**.

Technology has found many ways to enter into our day today business transactions, whether it is banking, Communication or logistics services; it is increasing every minute. Therefore, from "using technology" for running business, to "building business out of technology" can be one transformation which we can make. We can find the advent of Amazon, Jiomart, etc. as examples in marketplace. MSMEs have to focus on how to use them (concept of building business out of technology) to expand the delivery of products and services on their customers. MSMEs can think of creating a new platform combining much used social platforms to offer our products and services. Next comes using technology to improve efficiency. Data and information are two key factors of efficiency. Through proper use of technology, MSMEs could create a real time communication and real time data so that their products are served to their customers with utmost efficiency and value.

Training has now to be transformed from being a HR strategy to a Business strategy. When Technology takes the center-stage of business platform, it



gets updated with every patch in software/modification happening at some remote corner of the world. Hence to transform the human resource to be updated, it is important to impart training on the use these updations and also plan innovative ways to use them. MSMEs cannot believe training is costly and hence could not afford them. With the easily availability of online courses, trainings have become more affordable, and MSMEs have to utilize them. More thoughts will follow in the subsequent newsletters, till then stay safe, stay healthy----------(This article by Mr. Venkata Subramanian, Senior Consultant, APCRE, is in four parts and will continue in the next three issues of e-newsletter "PACER.")



Participants feedback on training imparted







Participants Feedback

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Testimonials

costs, and to satisfy customers.



Vinoth Kannan
The training sessions were very interesting with a lot of good interaction. Shop floor application exercises were also beneficial. The Course provided us with clear and practical steps on how Lean can be implemented to improve productivity, quality, reduce



Stanley. J I learned more about QC tools and Shop Floor Management. The participants from various fields and their experiences was also very helpful.



Testimonials



I would like to really appreciate & comment on the Online Training Class Course on 'Effective Shop Floor Management 'conducted by APCRE.' This course was an excellent experience and the amount of information and tools they provide us were wonderful.

results.

I would definitely recommend the professionals in any industry taking up this course if yo have time on your hands. It will be very useful throughout your life & it is super intensive. The materials provided for learning are very simple, effective in understanding the key important concepts.

clearly & very supportive in the discussion forums online. My sincere thanks to Mr. Svodas, Mr. Rajesh, Mr. Krishnan & Mr. Rajeavan. I would recommend this team continuing to bring up, conduct new courses in the future

My sincere thanks to Mr. Sivadas, Mr. Rajesh , Mr. Krishnan & Mr. Raghavan. I would recommend this team continuing to bring up, conduct new courses in Congratulations! & many thanks.



Muhammad Shiyas

I had a great experience in attending your online course on Effective shop floo management. I strongly believe that this online session helped me to get new information and ideas on how to be an effective shop floor manager and to improve my knowledge on what I am doing in my company, Conveying my

For further information and support please reach to us at:

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Seasons' Greetings and With Poest Compliments For the Festive Season



DEFT Advisory and Research Pvt. Ltd.

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