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## ***A word from the Director***

*Why is a consortium needed? In the initial stages of the implementation of the cluster development programme this was a frequently confronted question. In the context of more and more entrepreneurs showing interest in the CDP, it becomes important that this fact be cleared.*

*When a consortium is registered as a private limited/under charitable society act as a part of CDP, it is done so to serve as a SPV for the related Cluster. This consortium can initiate all kinds of economic and social development activities of the cluster. At present the registered consortia are in the germinating stage. For taking up the challenges related to CDP these consortia should be well-equipped in all respects, then only will they be able to provide proper guidelines in business development of micro, small and medium scale units in the cluster.*

*Exposure visits to successful clusters in the country will help very much in this regard. The consortia members get an opportunity to interact with CDAs, cluster actors etc. of these clusters, which will help them gain insight into how to face the staggering blows met with during the development /growth process. These visits will also help build up links with various resource persons who can help boost the activities of the consortia.*

*Thus, the exposure visits will serve as a platform for the exchange of best practices for tackling the issues arising in the governance of the clusters, how to put up with competition and understanding the best of different business strategies. I urge all consortia members to make full legitimate use of the assistance that can be availed from the Industries department for conducting such visits and thereby widen their horizons by effectively utilizing the information thus gathered.*

## ***Kerala Bamboo Fest - Focus on artisan cluster***

*As part of the exercises for promoting bamboo products, Kerala Bamboo Fest 2004 was organised at Kochi in December 2004. To carry on the momentum of this initiative, Department of Industries & Commerce organised Kerala Bamboo Fest 2005 from 20<sup>th</sup> -22<sup>nd</sup> December, 2005, in association with Kerala State Bamboo Mission and Kerala Bureau of Industrial Promotion (K-BIP).*



*Hon'ble Minister for Industries releasing two books, "Bamboo Cultivation" and "Bamboo Propagation", published in Malayalam by National Mission on Bamboo Applications (NMBA), New Delhi.*

*The three day event was intended to achieve the following objectives:-*

- *Provide a platform for artisans, craftsmen and the bamboo industry in the State to showcase their products.*
- *Bring together the key local players and experts in the sector for sharing of information and experiences.*
- *Expose our bamboo community to mechanization and advanced processing techniques and practices.*
- *Obtain the involvement of National / International agencies in further improvement of the State's activities in the bamboo sector.*
- *Foster links between National level research agencies and local researchers / industry.*
- *Sensitize local consumers to the role, advantages and importance of bamboo in the State's economy.*



*Hon'ble Minister and top officials visiting the stalls*

*Kerala Bamboo Fest 2005 showcased products such as Handicrafts, Furniture, Wood substitutes, Building, Construction & structural applications, Industrial products, specialised bamboo processing machinery / techniques, Decorative & artistic products, Research & applications as well as publications.*

*The Expo was formally opened by Shri. T. Balakrishnan IAS, Principal Secretary (Industries) and Convenor, Kerala State Bamboo Mission at 10:00 Hrs. on 20<sup>th</sup> December, 2005.*

*The inaugural function of Kerala Bamboo Fest 2005 was presided over by Shri. K. V. Thomas MLA. Shri. C.P. John, Member (Planning Board) welcomed the gathering and Shri. T. Balakrishnan IAS, Principal Secretary (Industries & Commerce) made the introductory address. Shri. T.O. Sooraj IAS, Director (Industries & Commerce) briefed the activities and future plan of Bamboo Mission. Dr. J.K. Sharma, Director, KFRI felicitated and Shri. V. Rajagopal, General Manager, K-BIP proposed the vote of thanks.*

*Shri. V.K. Ebrahimkunju, hon'ble Minister (Industries & SW) inaugurated the Kerala Bamboo Fest 2005. In his inaugural speech the Minister appreciated the efforts taken by the State Bamboo Mission in providing platform for the benefit of bamboo based communities and agencies in the State. He stressed the need to initiate more concerted actions aimed at rejuvenating the bamboo sector.*

*Participants in the Fest comprised representatives of the Bamboo communities in the State including artisans &*

*craftsmen, manufacturers and producers, bamboo processing machinery manufacturers, technologists & researchers, national level leaders in the sector, publishers, NGOs and new product / technology pioneers.*

*In all, 82 exhibition stalls (as against 42 in 2004) were set up to display various products made from Bamboo, Reed, Rattan and Screw pine. Individual Artisans, Master Craftsmen, NGOs, SSI's, SHG's, Govt. controlled institutions, machinery manufacturers and organisations from outside the State working in the Bamboo sector participated in the Expo and displayed their products. Bamboo based clusters from Wayanad, Palakkad and Kollam Districts also showcased their product range during the Expo.*

*There was a steady stream of visitors on all the three days of the Fest. The Expo managed to evoke strong interest from the crowds in the variety of products made of bamboo, rattan, reeds and screw pine. The huge crowds that thronged the Expo on the last two days (21<sup>st</sup> and 22<sup>nd</sup> of December, 2005) made significant purchase from the stalls. The presence of "institutional buyers" in the form of Resorts and Builders also helped to propagate the message of bamboo as an eco-friendly building and interior-design material. This resulted in enquiries and orders to execute specific works.*

*Besides this, the exhibitors got the opportunity to interact with each other and establish business linkages, which would be of mutual benefit in times to come. They also used the occasion to catch up on the developments being made in other States by interacting with each other.*



## **CDP Activities by K-BIP in 2006**

### **1. Review of CDP activities**

*-by the Principle Secretary (Industries & Commerce)*

*Shri . T. Balakrishnan IAS, Principal Secretary (Industries & Commerce) had reviewed the progress of Cluster Development activities going on in the state.*

*Kerala Bureau of Industrial Promotion organised the meeting at the Government Guest house, Trivandrum on 06.01.2006.*

*Shri. PH Kurian IAS, Secretary (IT & Investment Promotion) and TO Sooraj IAS, Director of Industries and Commerce (DI&C) were also present. DI&C welcomed the gathering and said that the discussion focused on identifying and sorting out various issues related with clusters.*

*Principal Secretary, described the objective of the meeting as a platform to discuss the various problems faced by the clusters to find out solutions for them. By solving the problem of one cluster, the consortia members of other clusters will get a clue on how to solve similar problems, they might face in their clusters. Principal Secretary interacted with stakeholders of each consortium, who were invited for the discussion.*

*Shri PH Kurian IAS said that the aim of consortia should be to make profit and to keep a portion of their profit as reserve fund, which can be utilized for developing the common objectives of the clusters such as brand building, exposure visits etc. Government activities for promoting the CDP and officials intervention to facilitate CDP are some kinds of Government contribution other than financial assistance.*

*The consortium representatives from various developed clusters, concerned CDA's and all GM, DIC' s were also present.*

### **2. CDA training programme for Government officials**

*A training programme for the officials of Department of Coir Development and Industries Department as Cluster Development Agent (CDA) as per UNIDO- CDP*

*methodology is being organized by K-BIP. The training programme is in three phases as per below:*

**Phase I** - *In class training as per the UNIDO-CDP module (8 days)*

**Phase II** - *Diagnostic Study (1 month, on the job)*

**Phase III** - *Review of Diagnostic Study reports and fine-tuning interventions (6 days)*



*CDA's with Shri. Mukesh Gulati, UNIDO; Shri. N.K. Mohanan, Director, Coir Development & Shri. V. Padmanad, National Expert, Cluster Development.*

*The phase I of the training programme was held at M/s KIED, Kochi from January 30 to February 6, 2006. Shri. V. Padmanand, National Expert, Cluster Development; Shri. Mukesh Gulati, Focal Point Manager, UNIDO, New Delhi along with officials of Industries Department; Coir Board; Management Institutions; SISI, Coimbatore; K-BIP etc. handled technical sessions during the training programme. The stakeholders of potential consortia also shared their experience and interacted with the participants during the training programme.*

*The trainees are presently conducting the Diagnostic Study, the phase II of the training programme. Exposure visits to Central Coir Research Institute (CCRI), Kalavoor; Allapuzha; Rice Mill Cluster, Kalady and Plywood Cluster, Perumbavoor will be arranged during 3<sup>rd</sup> phase of the training programme. The final phase of the training programme is proposed to be conducted from March 6 – 11, 2006 at KIED.*

### **Proposed activities - 2006**

#### **1. Interactive workshop with experts of specific food products**

The maximum number of units in our State is in the food processing sector. The various awareness programmes conducted through out the State in the above sector reveals the fact that most of the entrepreneurs in these sectors are using the traditional methods for manufacturing products. The entrepreneurs lack in latest technology to be used in product manufacture, latest packing techniques, methods for improving shelf life of the product. It was also able to reveal the fact that most of these entrepreneurs face lot of problems, especially in manufacturing process.

For overcoming the above (manufacturing process problem), it is proposed to conduct a technical workshop, where the manufacturer can address his process problem and find solution to avoid the problem in the future.

This technical seminar is proposed to be conducted during May 2006.

#### **2. Interactive session between potential cluster actors/ various CDA's of the State with Stakeholders of developed clusters from various parts of the Country.**

- CDA's & Cluster actors of developed clusters such as Knitwear Cluster at Tiripur, Textile Cluster at Salem etc will be invited for the programme.
- CDA's, consortium members etc of developing clusters in the State will participate in the workshop.
- The programme will provide a platform for the cluster members, CDA's of our State to directly interact with members of well established Clusters in the Country.
- This will lead to development of linkages of clusters in the State with other renowned Clusters/ organizations in the Country.
- It is proposed to conduct the programme during April 2006.

#### **3. Interactive session between potential cluster actors/ CDA's of the State with Business Development Service Providers (BDS) of related sectors.**

- CDA, cluster members etc of developing clusters in the sectors of Food, General Engineering, Garment etc of our State will participate in the workshop.
- The BDS providers related to each sector mentioned above will be identified and will be invited for the programme.
- The BDS providers will help the clusters in widening their market to National and International levels.
- Value addition in their product can be made in the future with the assistance of the Business Development Service Providers.
- Director General, Foreign Trade (DGFT) will be invited for handling a session on "How to do export business"
- It is proposed to conduct the interactive session during April/May 2006.

#### **4. Interactive session between potential cluster actors/ CDA's of the State with various Export Promotion Councils.**

- The members of various Export Promotion Council (EPC) will be invited for the programme.
- CDA, cluster members etc of developing clusters in the sectors of Food, General Engineering, Garment etc of our State will participate in the workshop.
- EPC members will explain the consortia/ cluster, the procedures to be followed for exporting their products.
- The cluster members can interact with EPC members for clarifying their doubts regarding export marketing.
- The interactive session will be organized during May 2006.

### **Product of a Garment Consortium**

**– launched by Minister (Industries), GoK**

*Mahila Apparels in Ernakulam District is a consortium of women, registered as a private limited company and functioning under Cluster Development Programme of Government of Kerala (GoK). They have provided job induction training to 300 SHG, women entrepreneurs and have given direct employment to 100 workers within a short period of one year.*

*The Annual day celebrations and product launching function was presided over by Shri. P.K. Joy, MLA and was inaugurated by Shri. V.K. Ebrahimkunhu, Hon'ble Minister (Industries & SW). Shri. V. Rajagopal, General Manager, K-BIP delivered the Key note address and Shri. B. Prasanna Kumar, General Manager, DIC, Ernakulam made a special address. Several other dignitaries like Municipal Chairperson, Kudumbashree officials, officials from Industries Department also participated and addressed the gathering.*

### **Farmers & Mill owners unite to identify & solve problems faced by Rice Cultivation**

#### **Workshops & Seminars**

*Rice is one of the most distinct symbols of Kerala's hundreds of years of tradition. But, cultivation has become very complex nowadays. The profit motive is what drives the farmers. High wage rates, increased market price of rice & exploitation from many fields are making farmers hesitant to continue with farming. Farmland has been reduced to almost 65%.*

*In order to protect both farmers and cultivation, farmers have been united under a new scheme by Kerala Agricultural University, Kalady rice mill Consortium Ltd., and other related Research Organisations. Two Workshops were conducted under the new scheme.*

**December 12, 2005** - The 1<sup>st</sup> session was an overview on Rice cultivation. The 2<sup>nd</sup> session dealt with the technological gap in rice farming. The 3<sup>rd</sup> session was very informative as

*it dealt with Product diversification & utilization of by-products. 4<sup>th</sup> session helped farmers in understanding where to procure paddy & other issues regarding it. The last session dealt with other ways in which rice cultivation can be promoted.*

**December 27-29, 2005** - Shri. Mohammed Haneesh, District Collector, Ernakulam, inaugurated the seminar. The topics of discussion included the findings of the earlier seminar. Value addition to rice & its by-products. The importance & health benefits of Rice Bran Oil & its by-products was another topic in the discussion. Different types of technologies for processing Bran were also conveyed to three participants. The production of energy from the unused parts after processing was an important topic discussed, which could prove to be a turning point in the promotion of Rice Cultivation in Kerala.

*The experts who handled the technical sessions were from Kerala Agricultural University, Department of Industries & Commerce, Rice Mill Owners Association, SISI, Thrissur, Other related Agricultural Universities & Research Organizations.*

### **Evolving a cluster for Home furnishing**

*All Kerala Furniture Distributors Association is a State level organization aimed at promoting the activities of all kinds of furniture manufactures and distributors. Now they have come forward to develop a cluster at the state level. They conducted two level awareness meetings for the core group of the association and decided to conduct awareness programmes at three regions in the State to educate and discuss the programme with all members of the association. They are planning to set up a common facility center for designs, manufacturing of components for furniture and other home furnishing components and to set up common sales outlets in all District of the State. Shri. Sivaprasad, ADIO, DIC, Ernakulam is acting as the CDA. The Diagnostic study of the cluster will commence after the region wise meetings are completed.*

## **A Case study of Cluster -**

**By Shri. V. Padmanand**  
**National Expert, Cluster Development**  
*(for MSME foundation)*

*The Wet Grinder Cluster of Coimbatore is unique in terms of being the only such cluster in the globe manufacturing the product. The key turning points in the cluster indicating upgradation of the product were entrepreneur – enterprise led. Support institutions (general or specialised) and organisations had little to contribute.*

*The 700 (largely SSI and tiny) units in this cluster characterised by considerable vertical depth provide direct and indirect employment to about 70,000 persons. The turnover of the cluster is about Rs.225 crores. The interests of enterprises across, and within the same segments of the supply chain are represented by a sole industry association. Cluster Development in this cluster is being catalysed by a Cluster Development Executive (CDE) representing the Small Industries Service Institute (SISI) of the Development Commissioner - Small Scale Industry (DCSSI). Interventions are being pursued in close co-ordination with the Industry Association (only) since about a year viz. 2004.*

*The major problems that were evident over conduct of a diagnostic study as also interventions to redress the same were:*

*(1) A gap in terms of related enterprises manufacturing / processing certain critical inputs, in turn adversely affecting costs and quality of products. Over interventions a CFC has been evolved and sanctioned assistance under the SICDP of the DCSSI on a PPP mode to plug this gap. A network of small component (motor) manufacturing enterprises was also evolved to commonly source and process inputs as to favourably address the issue of middle-men 'costs' as also product quality.*

*(2) The cluster is comprised of vast numbers of tiny component suppliers of various types. They suffered from lack of adequate financial resources as also ability to secure institutional credit. As part of interventions, several networks were evolved that received support on an MCGF mode demonstrating considerable increase in margins to beneficiaries*

*(3) Cluster enterprises largely suffered from weak direct-market linkages in terms of exports. They also confronted relatively saturated (South Indian) domestic markets. An exclusive fair was successfully organised in a 'new' region (in the North). A preliminary foray into promotion of a common brand was pursued by means of the cluster association applying for registration of cluster products under the GI Act. A market consortium was also evolved as to jointly penetrate unexplored markets.*

*(4) The clusters products were also characterised by relatively poor design and product development. These are being progressively addressed by means of exploring appropriate skill development and linkages with BDS providers. The DST as also the NID are critical actors in this context.*

*The cluster association is progressively emerging as a financial intermediary between banks and member enterprises. The future agenda includes successful implementation of the CFC, brand promotion and market development initiatives and cluster wide dissemination of various demonstrated options.*

### **COWMA market consortia: A potential cluster SPV for generic brand promotion**

*A network involving four Wet Grinder manufacturers / assemblers was evolved. The network decided to target export markets (the NRI population). The Middle – East as well as South East Asian regions are being targeted. Information on importers / dealers and agents related to home appliances were compiled from various directories. An NDA has been appointed (partly supported by SIDO funds) to work on promoting participation in an international fair wherein support from NSIC is available. A customers database has been compiled for contact over the internet. NSIC membership with regard to infomediary services has also been availed of and a common catalogue developed. The network also explored other options such as direct marketing through SHGs by means of networking with NGOs and Women Development support organisations. The network could also progressively evolve into an SPV of COWMA as to pursue generic product promotion initiatives upon formal registration under the GI Act.*

Key cluster actors include SMEs along the supply chain, the cluster industry association, support institutions and private 'operational' BDS providers:

**SMEs:** In terms of key SME actors manufacturing and/or assembling the final product the cluster composition is as follows: One Medium Scale unit, about 50 'larger' SSI composite manufacturing units and about 150 SSI units (in the lower end of the investment and turnover spectrum).

**Related Enterprises:** In terms of components manufacturers and suppliers such as those making motors, drums, castings, stones and arm sets, there are over 500 such enterprises. In addition to components manufacturers and suppliers there are several local traders who supply inputs sourced from various regions across India.

**Industry Association:** The industry association in the cluster (Coimbatore Wet Grinders and Accessories Manufacturers Association-COWMA) was evolved in 1995 and has 600 members. The association is also affiliated to the Coimbatore District Small Scale Industries Association (CODISSIA) and the apex Confederation of Indian Industry (CII). The former is rated amongst the leading regional associations in the country covering enterprises in a variety of product categories. Services offered by CODESSIA in terms of workshops and training programmes are availed of by COWMA members.

**Commercial banks and DFIs:** While the Canara Bank is the lead bank in the region most enterprises avail of support from banks (individually) convenient in terms of location. The Small Industries Development bank of India also has an office at Coimbatore. However, the 'unorganized' nature of business and absence of appropriate financing instruments leave most enterprises in the cluster starved in terms of adequate working capital for efficient operations.

**Other support organizations and institutions:** DGFT has an office in the cluster. The concerned Export Promotion Council (the EEPC) is located in not-too-far away Chennai. The NSIC is also housed at Coimbatore as is the internationally reputed PSG College of Technology. The

city is also the headquarters of the District Industries Centre (DIC).

**Private BDS providers:** Coimbatore, an industrial city is blessed with specialised private BDS providers offering a variety of services. Cluster Enterprises, however, invariably restrict utilisation of this resource pool to hiring services of sales tax, excise duty and other 'operational' BDS providers alone. Strategic services availed of is limited to the area of design (of Wet Grinders).

**Results** of interventions may be considered in three contexts: at the firm level, cluster level and in terms of policy.

#### **At the enterprise level:**

- With regard to the arm set manufacturers: Each unit is benefiting from a gross increase in earnings by about Rs. 7500 per month. This implies a 30 percent (net) increase in earnings.
- Each Motor Manufacturer in the demonstration network is expected to substantially improve turnovers. Better quality is offered at the same price. The quality of copper wire is directly related to the life of the motor. Within the motor manufacturers cost structure copper wire drawings and stampings each account for about 35 – 40 percent of cost of production. This but highlights the importance of optimising procurement options on this front.
- Three units including one composite Wet Grinder manufacturing unit and 2 components manufacturers have already received ISO certification over intervention. SISI Coimbatore played the role of BDS provider in this context.
- Six enterprises have secured orders worth about Rs. 25 lakh upon directly conducting an exclusive fair in non – conventional markets. Much larger orders are expected to be booked in the near future.
- The common website established at the association has generated over 25 National and international enquires from new market channels. Many of them have already

been converted into business by some members. However, data on this front has been difficult to collate.

- The CFC that is being implemented by the SPV of the association is expected to result in a reduction of manufacturing costs by about 15 percent for all member units viz. profits would double!

#### **At the cluster level:**

- DFIs like SIDBI as also commercial banks have been sustainably linked to interventions in terms of supporting by way of appropriate financing instruments for tiny enterprises in the cluster. Two groups have been sanctioned support by the SIDBI already. Several others are also approaching them for support. Services of institutions such as the NSIC have been also interlinked with action plans of networks.
- The CFC as also other demonstration 'hard' networks and other interventions were pursued under the aegis of the Association facilitating COWMAs moves towards offering more value added services to members. Registration under the GI act as also initiatives of COWMA market consortia are expected to contribute towards brand promotion and market development initiatives of cluster enterprises.
- The association led MCGF model, perhaps amongst the first of its kind in India lends options for more tiny enterprises to be financed on this pattern. CGTSI officials who visited Coimbatore along with a Parliamentary delegation were impressed with the Associations initiatives and offered support for larger projects on a conceptually similar mode. A 'larger' small motor manufacturers are attempting options on this basis.
- A common website ([www.wetgrindercoimbatore.com](http://www.wetgrindercoimbatore.com)) was launched over interventions. This, as also the

associations past role in successfully levying floor prices on products along the supply chain are expected to contribute greatly to common brand building options by cluster enterprises as they secure formal registration of their product under the GI act.

- The initiative to establish standard input-output norms in close co-ordination with the DGFT, EEPC and the SISI will help international marketing and global sourcing of some inputs competitively. This is by way of fixation of drawback rates and conveniently securing Advance License to enhance competitiveness.

#### **At the policy level:**

- The interventions at Coimbatore encouraged adoption of a policy for assisting SSIs by the Small Industries Department of the State of Tamilnadu. Taking a cue from the successful consortia and 'SPV' led interventions of the COWMA, the Small Industries Department of the Government evolved a new support package for infrastructure development in SSI clusters. The Government of Tamilnadu has since decided to support similar projects in the state supported under SICDP of the DC (SSI) in the following pattern: Government of India and Government of Tamilnadu will together contribute up to 40 percent of the project cost. The Government of Tamilnadu's share being a maximum of 20 percent and SPV member's upto 60 percent of the project cost. This schemat is to be implemented under the part II schemes of the Small Industries Department of the Government of Tamilnadu.

Interventions in Coimbatore are in a relatively early stage. Interventions commenced in April 2004 and this case study has been prepared highlighting interventions over a time span of just over a year. Nevertheless, results have been extremely encouraging reflecting sincere initiatives in the field by the CDA and SISI.