The SCOOP

Inside Pinnacle Industries

Issue 6, July 2019

Pinnacle INDUSTRIES

Pinnacle Social & Charitable Foundation wins 'The Machie'

Pinnacle Social & Charitable Foundation is the proud winner of 'Excellence in CSR' at The Machinist Magazine's Super Shopfloor Awards 2019.

Pinnacle Social & Charitable Foundation (PSACF) is a non-profit organization established by Pinnacle Industries Limited. We have a comprehensive approach towards development with the overall objective of creating and supporting meaningful and innovative activities to address some of India's most pressing developmental challenges: education and healthcare.

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Pinnacle Premier League 2019

Here is a sneak peek to Pinnacle Premier League, inter-company cricket tournament hosted by Pinnacle Social & Charitable Foundation in Pithampur and Pune.

It was a two-day extravaganza with all our group companies' employees coming together and showcasing best in class cricket and sportsmanship.

PSV bags a project with Animal Husbandry Department

Pinnacle Speciality Vehicles successfully bagged and completed a project with Animal Husbandry Department, Government of Himachal Pradesh.

PSV's animal ambulances and care clinics are equipped with life saving equipments and facilities to provide best transportation and care.

Pinnacle takes charge of all leading EV OEM's

The electric revolution on Indian roads has been a long time coming. But it needed a push from the government, which has come with Fame-II.
With the sudden rise of EV buses, Pinnacle is now a leading manufacturer and supplier of seating systems and automotive interiors for almost every leading commercial EV OEM.

CB VAT onboard with Daimler & Sandvik

CB VAT has signed an agreement and done successful claim submissions for Daimler Commercial Vehicles, Chennai and Sandvik Asia, Pune.
Over the years, CB VAT has grown into an extensive network of experienced indirect tax experts with a deep insight into the continually changing VAT legislation, which impacts companies doing business abroad.

Rivulis India providing solutions to poultry farms

Mr. Sashikant Jadhav, Poultry farmer from Sangamner, Maharashtra was facing several issues due to heat stress in his farm. The mortality had increased and reduced the feed intake of the birds. After the installation of Rivulis FLF (Flow Regulated Fog) foggers, he observed the drastic reduction of temperature, which reduced the heat stress and resulted in lower mortality and increased productivity. Since the FLF foggers deliver the finest droplet size of 70 microns, it reduced the wet litter caking issues and also suppressed the dust particles in his farm.

Instor India introduces Ambulance Stretchers

Instor India has introduced EZ EMS TRANSPORT, Patient Loading & Transport System, to its diverse product portfolio.

Instor's EZ EMS (Emergency Medical Services) Transport stretcher (patent pending) certified by AIS - 125; is designed to quickly and easily transport patients in and out of ambulances with enhanced safety and comfort of both patients and EMS professionals. Now EMS professionals can lift, lower, load, and unload with ease and ensure timely and proper care to patients.

Rivulis India hosts 'Agrowon Smart Award'

The 'Agrowon Smart Award' is one of the most prestigious farmer award ceremonies in Maharashtra, organized by Sakal Media Group's Agrowon', a well circulated daily focused on agriculture. Rivulis India collaborated with Agrowon for this award event with the objective to encourage & motivate the farming community.

Mr. Umesh Chandra Sarangi, advisor for Rivulis Irrigation India Pvt. Ltd., presented the 'Smart Water Management' Award to Dr. Dattatray Sahdev Vane during this event held at Bal Gandharv Rang Mandir in Pune on 8th May 2019. Rivulis also announced a cash prize of 'One Lakh' to the selected village which follows best Water Management practices.

Warkaris in city, Rivulis India out to lend a hand

Pandarpur Wari or Wari is an annual pilgrimage undertaken by lakhs of devotees who walk along the route from Alandi and Dehu respectively to Pandharpur and offer their respects to Lord Vitthal.

This year Rivulis India offered food packets to the Warkaris to ensure there smooth onward journey.

Indaux India turns 5!

Indaux India Pvt ltd, entered in its 5th year of operations and is moving towards growth, profitability and sustainability. Today, Indaux India boasts of acquiring close to 1000 retail outlets across India where its products are available which ensures the definitive growth and sustainability.

This year, Indaux India is expanding its operations by setting up new distribution network in West Bengal, Tamil Nadu and Kerala.

Blood Donation Camp at Pinnacle & Instor India

Pinnacle Social & Charitable Foundation organised a blood donation drive at Pinnacle (Pune & Pithampur) and Instor India on 10th June 2019.

It's not every day that we do something that has such a lifesaving impact. We witnessed a very enthusiastic response from all the employees for the blood donation camps organised in our Pune and Pithampur offices.
A total of 160 people played their role in saving precious lives by donating blood at the camps. The proud donors were recognised by certicate for their valuable contribution.

Donation Drive at SRPF

Pinnacle Social & Charitable Foundation (PSACF) organised a donation drive at SRPF (State Reserve Police Force GR 2, Pune) along with Kinjal Pratishthan.

Pinnacle Foundation collaborated with Kinjal for tree plantation at SRPF premises, donation of first-aid kids and raincoats for our brave policemen.

Medicine Donation for the Warkaris

Pinnacle Social & Charitable Foundation (PSACF) associated with Janmitra Samajik Vikas Sanstha Satara to donate medicines for the Warkaris (Pilgrims) of Saint Tukaram Palkhi at Indapur and Chinchni Tappa.

The medicines were donated at the health check up camp organised for the devotees on 5th and 9th July 2019.

International Yoga Day

International Yoga Day, celebrated on 21st June every year, is recognized to raise awareness worldwide of the many benefits of practicing yoga. As a part of this, Pinnacle Social & Charitable Foundation organised organised a Yoga session for the employees of Pinnacle and Instor India by acclaimed Yoga trainer, Mr. Raman, who also shared a few insights on importance of Yoga & meditation for working professionals.

Pinnacle's IMPACT - Training Programs

Under our learning & development program, IMPACT, we conducted various training workshops and sessions focused on interpersonal skills, effective business communication and overall personality and professional development of the employees.

Featured Employees

Outstanding Contribution

Mr. Nitish Patil
Sr. Engineer
PSV, R&D

Ms. Santpyari Mandloi
Asst. Engineer
Vaccum Forming, PIL

Mr. Rajesh Kose
Engineer
Ambulance, PSV

Mr. Manoj Soni
Jr. Engineer
Sliding Window, PIL

5S Winners

PU Shop
Winner-May 2019

Stores
Winner-April 2019

In the news

THE HINDU
BusinessLine

26 June 2019

Energising the MSME ecosystem

Reduced interest rates, lower collateral, and improved access to credit will give a boost to the sector

SUDHIR MEHTA

India's micro, small and medium enterprises (MSME) sector, known as its engine of growth, contributes 31 per cent of its GDP, 45 per cent of exports, employs over 124 million people and creates nearly 1.3 million jobs every year. The entrepreneurial growth and development they contribute are not restricted to the urban areas only. Of the 55.8 million MSMEs, 59 per cent are based in rural India.

But the absence of adequate and timely bank finance, high cost of credit, non-availability of suitable technology and over-regulation impede the growth of this sector.

Among the aforementioned constraints, the availability of finance and financing costs are the two key factors that directly impact the growth and survival of the manufacturing and services MSMEs. As per the IFC report 2018, the overall finance demand by MSMEs is estimated to be about ₹87.7-lakh crore of which about ₹69.3-lakh crore is the debt requirement. Of this, about ₹48.5-lakh crore is required for working capital and ₹20.8-lakh crore is the capex investment required for fixed assets.

But of the total debt requirement of ₹69.3 lakh crore ($1.07 trillion), only ₹10.9 lakh crore is raised from formal sources and as much as ₹58.4 crore is raised from informal sources.

Though private and public banks, NBFCs and FIIs all make up the formal financial ecosystem to provide the desired capital, there is a huge gap in catering to the financing requirement of the MSME sector leading to most MSMEs preferring to raise capital from informal resources. This preference is due to ease of access, speed of disbursal and need of minimal documentation.

The Modi 2.0 government should focus on the following measures to enhance credit access to MSMEs.

Availability, interest rates

The RBI should consider a minimum of 200 basis point reduction in rates and enable banks to triple credit growth to MSMEs. To create the industries of the future, access to long term funding is crucial at competitive interest rates. The irony today is that an individual

Small units need more funds

can purchase a luxury car worth crores through bank/NBFC financing within a day, but an MSME entrepreneur cannot purchase a machine for the same value without onerous requirements and the personal guarantees of promoters.

By offering differential Cash Reserve Ratio and Statutory Liquidity Ratio for banks lending to the MSME sector, improving credit availability and taking remedial measures to enhance the effectiveness of the Credit Guarantee Scheme, the RBI can help the MSME sector create 20-25 million new jobs over a few years, curtail inflation and improve export competitiveness.

In sync with the limited liability principle, collaterals sought by banks from MSMEs should be limited to 133 per cent of the exposure rather than insist on unlimited collateral. Personal guarantees should be taken only in the case of collateral shortfall and not where enough collateral is available from a firm's resource.

In case of collateral shortfall, personal guarantees must be taken from whole-time and executive directors only and not from external directors who provide guidance and have no role to play in the day-to-day operations of the business. Bank officials should be insulated from honest failures.

The requirement to return bank guarantees (BGs) to close the claim period needs to be removed. The sanctity of the claim period as stated in the BG should be honoured and any existing anomalies removed. Charges for the BGs for over two years should be debited on an annual basis and not upfront. This step will ease cash flow pressures on the MSMEs. Annual BG charges for long-term loans should be lower for subsequent years in line with the diminishing effort required by the bank.

Policymakers should also consider discounts on normal margin facilities for MSMEs with no defaults with low risk profile, on the lines of the "no-claim bonus" for insurance premiums.

Akin to London Stock Exchange, other global stock exchanges should also be invited for easy and affordable equity. More social venture funds must be encouraged and the IPO process simplified to encourage more companies to access capital markets.

The results of the recently concluded elections show the confidence of Indians in the BJP government and PM Narendra Modi. Apart from other policies, it's time for Modi 2.0 to free MSMEs from the challenges on hand to create a '*Nirmukta*' manufacturing ecosystem that can propel the Indian economy and empower MSMEs to make a difference globally.

The writer is past Chairman, CII-Western Region. The views are personal

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Building a "Nirmukta" manufacturing ecosystem

Empowering and fuelling MSMEs in India, triggering the next phase of growth and leadership

Sudhir Mehta

Despite internal and external economic constraints, India is still being viewed as a fast-growing economy. Global economic relationships, captive consumption and boost in ease of doing business ranking has led to enhancement in the Indian economy and the outlook still stands seemingly positive. Amidst other factors, one of the key elements fuelling the growth of India is the emergence of Micro, Small and Medium Enterprises. If the Indian economy must revive its growth trajectory, it needs to focus on empowering the manufacturing sector with better and favourable policies with better access to finance.

MSMEs – Introduction

Micro, Small and medium enterprises (MSME) sector, known as India's 'Engine of Growth', have grown significantly over the years on the back of increasing awareness, digital advancements and better opportunities that have encouraged many entrepreneurs to offer innovation and emerge as success stories. MSMEs play a pivotal role in the economic and social development of the country. It also plays a key role in the development of the economy with its effective, efficient, flexible and innovative entrepreneurial spirit. In India, MSMEs contribute 31% of the GDP, 45% of exports, employ over 124 million people and create nearly 1.3 million jobs every year. Entrepreneurial growth and development is not restricted to the urban sector only, of 55.8 million MSMEs, 59% are based in rural India.

Over the past decade, MSME sector has been growing rapidly bolstering the growth of the Indian economy and on the strength of domestic consumption and entrepreneurship. The major advantage of this sector is its capability to generate employment at low cost. The MSME sector is highly heterogeneous. There are different sizes of enterprises, variety of products and services and level of technology. It helps in the industrialization of rural and backward areas. It reduces regional imbalances. It provides equitable distribution of national income and wealth.

Though, MSMEs are considered as the backbone of the Indian economy, contribute in GDP and GNP of India and act as a breeding ground for entrepreneurs to grow from small to big, MSME Sector has been witnessing various constraints and its overall potential is being capped for various reasons. Some of the challenges include:

a) Absence of adequate and timely banking finance

b) Limited capital and knowledge, non-availability of suitable technology
c) High cost of credit
d) Favourable Government policies

Leading to :

a) Ineffective marketing strategy
b) Lack of skilled manpower for manufacturing, services, marketing etc
c) Lack of access to global markets
d) Constraints on modernization of expansion
e) Problems of storage, designing, packing and product display
f) In adequate infrastructure facilities, including power, water, roads

Financial Constraints

Amongst the above mentioned constraints faced by the sector, finance and financing costs are the two key factors that directly impact the growth and survival of the manufacturing and services sectors. As per the IFC report 2018, overall finance demand by MSMEs is INR ~87.7 lakh crores of which INR ~69.3 lakh crores are debt requirement of which INR ~48.5 lakh crores are required for working capital and INR ~20.8 lakh crores are capex investment required for fixed assets.

Whereas the Indian banking system including Private and public banks, NBFCs and foreign financial institutions form the formal part of the financial ecosystem to provide the desired capital, there is a huge gap in catering to the finance requirement of the manufacturing and MSME sector leading to certain micro enterprises falling under service sector such as retail shops, small retail trade and repair shops preferring to raise capital from informal resources. This preference is due to ease of access, speed of disbursal and need of minimal documentation. Since banks and NBFCs are perceived to have bureaucratic and opaque processes that do not favour MSMEs, majority of MSMEs seek credit from money lenders and friends because it is easy to get loans without any loss of time. Of the total debt requirement of INR ~69.3 lac crores ($1.07 trillion), only INR ~10.9lac crores are raised from formal sources and INR ~58.4 crores are raised from informal sources.

There are several reasons why entrepreneurs and start-ups are opting for informal sources of raising capital. On the supply side, high cost of transaction, innovation, risk appetite and outdated underwriting processes are some of the factors, and on the demand side existing debt, need for collateral and information / policy asymmetry are the key factors, leading to preference for informal sources of raising capital.

Bias of financial institutions towards MSMEs is surprising even though NPA rates in the MSME portfolio continue to remain lower than those for the large corporate segment. NPA rate in MSME portfolio was ~11.5% in 2018 compared to 19.5% in large and medium accounts. This can be evaluated against backdrop of overall NPA rate for the commercial lending portfolio which was in the range of 14-15 % during this period. Entities with credit exposure in the range of INR 10 lakhs to 5 Crore demonstrated lower NPA (~8%) compared to other entities (~11%) classified as MSMEs based on their credit exposure.

Recommendations for empowering the Indian Manufacturing Sectors

Indian manufacturing sector, especially the MSMEs and unorganized manufacturing and services sectors are on a growth trajectory. Ease of doing business, regulatory approvals and easy access to capital would help in amplifying their growth as well as the growth of the overall Indian economy. With the union election recently

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discounts for Insurance, those MSMEs having no defaults should progressively receive discounts on the "normal" margin requirements for these facilities commensurate with their lower risk profile

g. Like London Stock Exchange, other Global Stock Exchanges should also be invited for easy and affordable equity

h. Bank officials to be insulated from honest failures.

i. More Social Venture Funds be encouraged so that the conversion of Micro Enterprises to Small Enterprises can be factualized

j. Simplification of IPO process to encourage more companies to access capital markets. SEBI compliances have stopped flow of domestic capital to such entities.

Be it defaulting business enterprises, NBFC fiascos or increasing corporate NPAs, past couple of years have been witness to several incidents which have led to resource crunch and tighter liquidity. Given that banking and financial system plays a vital role in the economic growth of a nation, and while in the current scenario where the Indian financial ecosystem is at the crossroads of reorganizing itself, one sector which is suffering the most is SME and MSME. Testing time lies ahead for the new Government as regards to its economic policies and performance of Indian Economy post demonetization, implementation of GST, make in India and other key reforms brought about to propel the economic development faster. Micro, Small and Medium Enterprises are the propellers of growth, economy and employment in India and have a potential of competing globally if provided with the appropriate business environment. It's time for the Government to "Nirmukta" them from the challenges on hand and empower them to make a difference globally.

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