

Understanding market dynamics is most important for SME success

Can you imagine an entrepreneur with just post-graduation in business management, with no knowledge of the industry he is entering into, little capital in hand, taking a plunge into manufacturing? Amarjit Singh is such a first generation technocrat. He started his company in 1989 to manufacture fans for desert cooler kits in Faridabad and won the best young entrepreneur award in small scale industry in 1998. He had no prior knowledge of the industry but his company Intec Group which had a turnover of Rs6-lakh in 1989 grew to a Rs118-crore turnover company in 2006-07. He is supported by his wife in day-to-day corporate affairs, and his own vast experience in HR and administration sails him through difficult patches.



AMARJIT SINGH

But there are few entrepreneurs who have not faced any difficulty in running their businesses. For Amarjit finance was one of them. "In order to have fast and vertical growth in the group a lot of investments are needed.

Approaching financial institutions and bankers and preparing all the requisite data was tiring and time

consuming". More than that it was a herculean task to win the confidence of customers. Customers were talking of large volumes, long credit periods which called for major investments in infrastructure to meet their quality and quantity parameters. Initial lack of experience also put the spanner in the works.

Intec Group mainly caters to the white goods and home appliances sector. There has been tremendous growth in this segment and according to Amarjit the boom in Indian economy has triggered an upward trend, with new avenues opening for both domestic and international markets. But when it comes to office and factory floor culture Amarjit

insists on tastefully decorating interiors and providing infrastructural facilities to make employees give their best. It improves productivity remarkably, he adds, as people spend longer hours in office to get an edge over competition. Another tectonic shift in value systems has made sure that the average Indian does not look at white goods and home

appliances as luxury. It is taken as absolute necessity. "Price war has become the game of the day. Every FMCG giant is vying to capture the maximum market share by offering special schemes and a host of freebies. On the other hand, the per capita income has been steadily growing at the rate of 8 -10 per cent annually". The FMCG sector is projected to be growing at an average growth rate of 15 to 18 per cent.

Intec Group is a sub-contractor which manufactures geysers (water heaters) for Bajaj Electricals, air conditioners for Samsung India Electronics, colour televisions for Onida, mixer grinders for Kenstar and heavy duty uninterrupted power supply (UPS) for Emerson Network, a Fortune 500 company. As per the latest study, the UPS market will grow at an average rate of 15 per cent, the water heater market will grow by 12 to 15 per cent, small home appliances by 20 per cent and air conditioner sector is expected to grow at a consistent rate of 20 per cent.

The industry dynamics have been changing at the same time. Major industrial giants, both national and international are now targeting the retail market segment as a big add-on to the

major brand's turnover. "Giants like Reliance, Walmart, Ikea, TESCO and Spencers have plans to enter the Indian market".

When the going gets tough the tough get going, says Amarjit. Initially only the Indian majors like Voltas, Bajaj, Usha, Crompton Greaves and the Videocon group were the only players. Since the opening up of the economy in 1993 -94, international giants like Samsung, LG, Whirlpool have entered the Indian market. They have realized the potential in India and have started to establish their base here. Today, Amarjit argues, these giants are talking of making India a hub for Asian markets. "We at Intec Group have tried to keep pace with the changing scenario in this segment

He also concedes that smooth running of a unit single-handedly is very tough and professional help is required at every stage, even though the "road looks well made, but the stones and pebbles that prick at every stage sharpen your skills". Legally, SMEs are at the lower strata as far as business is concerned and professional help for the SMEs is expensive. It becomes practically impossible to get good professionals as they not only require high remunerations, they also look for "brand identity". "Initially, the entrepreneur has to be astute in dealing with legal, commercial and marketing activities all by himself". Amarjit says he faced more of criticism than appreciation when the going was bad.

banks and financial institutions though are available, for an SME it is a journey where the banker goes through the SME's books with a fine comb. The banks may be justified in doing so, according to Amarjit, the reason being that they feel that they are not secured enough. They are ready to pounce on you if you falter rather than come up with solutions to overcome the problems. "But now with the opening up of the economy, there has been a change in their attitude, yet we have a long way to go to be where we should be".

Often he has felt that banks and financial institutions have a different way with the big corporates and business houses. Their rate of interest is surely less than what SMEs pay. Thus they have the best of both the worlds -- they have the cake and eat it too. "Financial partners levy all kinds of penal interests in case an SME is not faring well. Instead they should realise that by rescheduling, lowering interest rates, they can bring back the SME to health. They should be facilitators and not destroyers. They should not ask for unheard of guarantees and securities and treat both the giants and the SMEs equally".

When asked about the tough times that Intec faced Amarjit says every industry and the industrialist has his own ups and downs. Intec group has been no different. The initial low was when the growth in our sector was stagnant. Reduced orders and delayed payments started eroding our capital as the expenses could not be met. This went on for a period of two to three years.

Then Intec group saw the silver



Mr Singh (centre) with foreign delegates

and are among the first to make huge investments, going in for automation and further strengthening our team of professionals in the group. A lean organization with manufacturing facilities at appropriate locations, taking advantage of the government incentives has helped us maintain our cutting upper edge".

Financial institutions and banks, unusually for Amarjit, did encourage him to set up the venture but they had many limitations. SMEs, unlike big conglomerates, do not have financial muscle power and have to depend heavily on borrowed funds from these institutions where the interest burden is comparably very high. These



Mr Singh shows delegates around his factory floor

lining in Samsung which wanted it to set up a colour televisions and air-conditioners assembling unit in Jammu in 2002. That was a turning point for the Group and "we never since looked back". One facility after the other were set up after that break - units in Himachal Pradesh in government-notified incentive area for manufacturing small and white goods appliances for one of the best-known brands in India.

so that time lost is minimal. But Amarjit also feels strongly about the barriers in business. The incentive-based areas have certainly been notified, which does not solve problems for the entrepreneur. These areas mostly have very little infrastructural facilities. A proper, well planned industrial area with all the facilities like supporting SSI units and other facilities should be available to entrepreneurs in

problems and are still managing the work efficiently. State government policies pertaining to local employment should also be reviewed as it is practically impossible to get skilled labour who can man complex, state-of-the-art machines that are imported at huge costs to meet the quality and quantity standards set by these major brands.

The electronics industry coupled with the FMGC sector will grow much faster in Amarjit's view, just as the double-digit growth registered by the SME sector. Intec group is planning on big diversification, some of which can be called backward integration too. But the overall SME sector in the coming years is poised for tremendous growth, he adds. "The overall growth of the industry is a whopping 20- 25 per cent in this segment. This continuous growth will soon result in a remarkable change in the SMEs. Industries coming under the SSI umbrella will soon fall under the medium scale category which in turn will

Inter-state toll and octroi stations have narrow passage that only one vehicle can pass at a time

The average steady growth of 15 to 18 per cent should not be a problem for the sector under normal circumstances. Unless some drastic changes are announced by the government in policies there should not be any change in the course, according to Amarjit. But to ensure faster growth rate, single window clearance for mandatory requirements should come through

manufacturing sector. Inter-state toll and octroi stations have narrow passage that only one vehicle can pass at a time. "Proper arrangements for clearing the heavy vehicles carrying input materials for all the industries should be made so that there is very little time spent these bottlenecks. I am no different from the regular entrepreneurs who have been facing same

provide employment and overall increase in the standard of living for all the people involved in the industry". Intec's manufacturing facilities are coming up across the country. New units are coming up in Haridwar, Uttarakhand, Ahmedabad and Sriperambadur in Tamil Nadu. Investments up to Rs80-crore are on the anvil. ■
By Anil Nair