

# The SCOOP

Inside Pinnacle Industries

Issue 7, December 2019



# Pinnacle Premier League 2.0

## **Pinnacle Social & Charitable Foundation** presents **Pinnacle Premier League 2020**

We are back with Pinnacle Premier League 2020, inter-company cricket tournament hosted by Pinnacle Social & Charitable Foundation in Pithampur and Pune.

This year the two-day extravaganza will be hosted on 22nd and 23rd February 2020 in Pune.

The cricket tournament will witness participation from all our group companies' employees, who will be coming together and showcasing best in class cricket and sportsmanship yet again. We look forward to your gracious presence.

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# Additional Secretary, Ministry of MSME visits AIC-Pinnacle's new facility

Shri Ram Mohan Mishra, Additional Secretary & Development Commissioner, Ministry of MSME, Government of India visited AIC-Pinnacle Entrepreneurship Forum's new facility in Baner, Pune. Through this space, AIC Pinnacle aims to support innovation, entrepreneurship and employment generation.

AIC-Pinnacle is one of the select few industry-backed Atal Incubation Centres supported by Atal Innovation Mission, NITI Aayog, Government of India. Its goal is to incubate, accelerate and fund high-impact manufacturing and product start-ups that promote and support Smart Mobility, Agri-Tech, Smart City and Social Innovation.





## Pinnacle Industries wins at Kaizen Competition, Indore

We are proud to announce that Pinnacle Industries won award for Best Presentation under Productivity Category - For innovation of indexing Robo fixture at the 1st Kaizen Competition of ACMA Western Region held in Indore.

Over the years, Pinnacle has been on the forefront of developing innovative solutions that allow our clients to offer the very best to the end customer.



## Pinnacle shines at Magnificent Madhya Pradesh

Government of Madhya Pradesh hosted 'Magnificent MP - Investors' Summit 2019' to proactively engage with the industry for tapping new potentials and bring out unprecedented wave of industrial development and socio-economic inclusion.

Pinnacle Industries participated in the conclave and represented all their group companies and social initiatives which received a great response by the visitors, investors, expats . . and government officials. .



# CB VAT signs VAT agreement with Intas Pharmaceuticals

CB VAT has signed a VAT agreement with Intas Pharmaceuticals (Ahmedabad), a leading, vertically integrated global pharmaceutical formulation development, manufacturing, and marketing company.

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.



## Irrigation intelligence FROM OUTER SPACE for Indian farmers



Rivulis Irrigation India Pvt. Ltd. announced the launch of “Manna”, a satellite-based software solution to help growers use Rivulis technology efficiently and improve their irrigation and water management.

### Rivulis sows app-based solution for drip irrigation

Using satellite-based models, 'Manna' will also provide realtime crop-monitoring maps

**GLOBAL BUREAU**  
Mumbai, August 29  
Rivulis Irrigation India, part of the global micro irrigation company Rivulis Israel, has launched its customised app Manna, a satellite-based software solution for irrigation in India.  
Manna Irrigation Intelligence provides site-specific irrigation recommendations at the touch of a button. Based on proprietary satellite models and sensor-free approach, Manna provides farmers with a high-resolution, integrated view of the entire field rather than reading from isolated locations.  
In last three years, Rivulis has brought drip irrigation technology in the fields of over 50,000 farmers. Before downloading the app, farmers have to provide GPS location of the

field, soil condition, details on crop to be grown and date of sowing.  
Based on these data and weather forecast of the India Meteorological Department, the app suggest the quantum of water to be released in the field every week after taking into account the moisture and expected rainfall in the area. It also provides real-time crop monitoring maps indicating vegetation level, vegetation and wetness variability map.  
Farmers have to shell out ₹600 per annum to use the app while their cost saving involve less use of water, besides lower electricity and diesel expenses.  
While the app is currently available in Hindi and Marathi, it will be launched in Gujarati and other languages soon. Rivulis is targeting farmers in



Farmers have to pay ₹600 per annum to use the app

Maharashtra, Karnataka, Gujarat, Uttar Pradesh and parts of Tamil Nadu focussing on crops such as cotton, sugarcane, pomegranate, grapes and tomatoes.  
Sudhir Mehta, Director, Rivulis India and Israel, said due to limitation on land holdings, most of the farmers have not invested in technology in farming and rely majorly on gut feeling, especially in areas of irrigation and water management.  
The company has already ap

proached the Union Ministry of Agriculture and is eager to collaborate with various State governments to assist them in monitoring of water usage and conservation, he said.  
Currently drip irrigation is used on about 11 million hectares while the government has set a target to bring another 10 million hectares under drip irrigation in next five years. The country has the potential to bring about 70 million hectares under drip irrigation.

Manna has been successfully providing site-specific irrigation solutions across advanced agrarian markets of USA, Mexico, Europe, Australia and Brazil, and is now being launched in India to help farmers improve their irrigation and water management efficiencies.

## Rivulis India collaborates with Bala Industries and Entertainment Pvt Ltd

Recently, Rivulis collaborated with Bala Industries and Entertainment Pvt Ltd., which offers a broad range of Poultry Farming Equipments in India and abroad. The Bala Industries is the part of Venkateshwara Hatcheries Pvt. Ltd. (VH Group) popularly known as Venky's.



This association will allow Rivulis a more focused approach towards the Poultry farmers & major companies in the sector. Both the companies will put their efforts together to initiate “Drive Against Heat Stress” among poultry farmers. This initiative is expected to promote brand visibility and attract more famers to become a part of Rivulis as growth partners.



## VDL Pinnacle enters European market, starts exports

VDL Pinnacle Engineering India Pvt. Ltd. has now expanded its horizon by entering the European market. The company recently delivered an export order to a leading company from Europe.

VDL Pinnacle provides turnkey production automation systems, focusing primarily on Body in White (BIW) weld shops. The company also provides services in process engineering, tool design, robot simulation, layouts and facilities engineering.



**VDL Pinnacle**  
Engineering India Private Limited.



## Indaux India launches 'Junior Co' at ACETECH 2019

Indaux India, a leading manufacturer of furniture fittings, launched the 'Junior Co' range, a revolution in the field of coplanar doors, at The Economic Times ACETECH 2019. INDAUX leads the furniture fitting sector in Spain and has become a benchmark brand internationally, working in more than 70 countries with over 2000 customers all over the world.

The Junior Co is a kit added to the Junior 6 slider that converts a cabinet into the coplanar type. It also allows distributors and fitters with Junior 6 stock to offer a new expression of the cabinet by simply adding a small part kit.



## Instor India launches Steel & Fire Doors range at ACETECH 2019



Instor India, India's most trusted brand for display, storage and movement solutions, launched a wide range of Hollow Metal Pressed Steel Doors (HMPS) and Fire Doors at The Economic Times ACETECH 2019.



Fire Rated Doors, General Purpose Doors, Scientific Doors, Glazed Doors and Wooden Finish Doors are the latest addition to the Instor India brand portfolio that boasts of a functional, innovative and premium range of retail fixtures.

# Instor shines at India Warehousing & Logistics Show

Instor India showcased their best-in-class range of warehousing products and solutions at India Warehousing and Logistics Show, held at Auto Cluster Exhibition Centre, Pune on 15th and 16th November 2019.

After leading store solutions and helping retailers improve customer engagement and increase profit per square foot, Instor is now working with global brands for racks solutions for smart warehousing and warehouse automation. Instor India has designed exclusive warehousing solutions that include advanced structures and racks that support smart and robotics warehouse systems.



## Retail India Summit and Expo (RISE) 2019



To continue helping innovative retailers gain a competitive edge in the ever-changing retail landscape, Instor by Kider India Pvt. Ltd., the largest manufacturer and exporter of retail fixtures in India showcased a gamut of innovative products and solutions at the Retail India Summit and Expo (RISE) 2019 hosted by Retailers Association of India on 26th & 27th November 2019 at The Eros Hotel, Nehru Place, New Delhi.

With a functional, innovative and premium range of display, storage and movement solutions, Instor makes retail stores distinctively modern, attractive and customer friendly.



# Shri S.R. Mehta Scholarship Programme by Pinnacle Foundation

Education is a critical component which contributes extensively in the human development indices and is one of the most important ways to attain the goal of sustainable global development.

To expand the access to quality education, Pinnacle Social & Charitable Foundation distributed school kits and scholarships under 'Shri S.R. Mehta Scholarship Programme', their flagship initiative to provide educational assistance to children to improve their future. This year, the scholarship distribution event took place in Pithampur, Madhya Pradesh and Pune, Maharashtra to felicitate the selected students.



## School Support Program by Pinnacle Foundation



Pinnacle Social & Charitable Foundation's School Support Program supplements the government's efforts by bridging critical gaps in delivering quality education. Recently, they supported Government Primary School, Sulawad, Dhar, Madhya Pradesh, by providing their students with scholarships, under our 'Shri S.R. Mehta Scholarship Programme', and other stationery and sports equipment for holistic development of the kids.



## Artificial limb fitment camp by Pinnacle Foundation

Here is a glimpse of the free artificial limb fitment camp organised by Pinnacle Social & Charitable Foundation in association with Lions Club at Arihant Hospital, Indore.

Pinnacle Foundation donated hearing aids and treated close to 50 patients at the camp. The Foundation also donated stretchers to Arihant Hospital & Research Centre, Indore.



## BMVSS-Jaipur Foot, Indore centre starts artificial hand fitments



We are glad to share that we recently did our first artificial hand fitment at our BMVSS - Jaipur Foot, Indore centre. 18 year old Deepak from Harda district in Madhya Pradesh lost his hand below elbow in an accident.

We are extremely proud of our team to be able to do this successfully and also being the only few centres in the country for artificial hand fitment.



# Remove curbs on business and let it grow

Modi 2.0 should do away with socialist policies, and shift focus from increasing tax rates to improving quality of expenditure

SUDHIR MEHTA

The historic mandate for the BJP government provides an opportunity to change the destiny of the nation. The political steps taken in Kashmir indicate a willingness to take courageous decisions which provide equality of opportunity for all.

Today, the world order is changing, with the US singularly focussed on their own economic agenda; The EU struggling with multiple challenges, including Brexit and the changing dynamics within member nations; and China increasingly asserting its economic might in the backdrop of slowing economic growth and changing demographic trends.

With a decisive majority, Modi 2.0 should attempt to debunk socialist policies, and create a focussed, competitive, inclusive and largely free market economy. India's strengths originate from its domestic consumption and the power of local entrepreneurship. In the Indian context, there is an urgent need to dismantle 60 years of socialism and anti-business bias and function as a true free-market and enterprise-driven economy. The economy cannot be any further driven by govern-

ment fiat, grossly inefficient public sector enterprises or government-focussed job creation and doles.

Job creation is the country's biggest challenge. Eighty three per cent of India's labourforce works in the unorganised sector. The lacklustre performance of Indian manufacturing has prevented the absorption of labourforce, especially for those displaced from agriculture. Today, the country needs a fundamental economic overhaul, not just a tinkering with the financial indicators, minor incentives or disbursement ease.

### Policy overhaul

India has been a trusting society with entrepreneurial instincts for centuries. This is evident from the MSME sector, which contributes 31 per cent of the GDP, 45 per cent of exports, employs over 124 million people and creates nearly 1.3 million jobs every year. Entrepreneurial growth and development are not restricted to the urban sector only; of the 55.8 million MSMEs, 59 per cent are based in rural India.

India has over the centuries been a manufacturing and services outsourcing destination for leading economies. Post-independence, for 60



Indian policy Economy to be revamped

years we followed socialistic policies which did nothing but stifle innovation and honest enterprise in the guise of protecting the customer and workers from bad businesses. But as Margaret Thatcher famously said, "The problem with socialism is that you eventually run out of other people's money".

The government must urgently shift focus from increasing tax rates to improving the quality of expenditure. It needs to set hard limits on increases in revenue expenses and set targets for expense reduction. Each Ministry must be asked to reduce 10 per cent of the CTC of employees, with a part of that paid as performance incentives. The exemplary work done on DBT and the technology stack now allows for each rupee of government spending to be carefully

scrutinised. This must be used to eliminate decades of wastage in public spending. Extensive unutilised government and defence land holdings can be monetised, by rental/leasing income to fund development projects.

### Change in strategy

Growth in India has lately been dependent on capital inflows from international investors - direct or indirect - while Indian savings remain locked up on account of predatory taxes. We need to strongly incentivise domestic capital to activate and flow into economic activity, instead of remaining dormant in assets like gold and real estate. Strong investment-led incentives, along with the abolition of long-term capital gains tax will enable domestic capital to flow into sectors which create employment. This will also allow corporates which have unutilised land and buildings at low book values to monetise them at market value.

A majority of the laws of the past 60 years only helped to make it more difficult for honest businesses to focus on creating products and services, while creating ample avenues for those who wanted to game the system. In fact, our large economy

has failed to create a single aspirational brand for global consumers. The government needs to dismantle the stifling array of outdated laws which do not scare the guilty, but certainly terrorise the innocent. US President Donald Trump signed an executive order forcing US federal agencies to dump two new laws for every new one they propose. Time we do the same in India, with five laws or statutes dropped for a new one.

Economic policies should encourage growth in domestic consumption and support local industry and capital, while businesses achieve world-class quality and reliability with ethical conduct. Establishing trust between the government and business is needed. We need to bring together the government, financial institutions and entrepreneurs to create industries which create jobs. Capital, labour and raw material are critical for Indian industry to become globally competitive. Time we do an Article 370-type of abolition for stifling regulations to create a level playing field, where meritocracy and job creation is rewarded and recognised, and ethical profit not a sin.

The writer is CMD, Pinnacle Industries Ltd and past chairman, CIH-Western Region

## THE HINDU BusinessLine

Special Feature

### Auto interiors: Connecting functionality with a stylish flare

Interior comfort often plays an important factor in buying a vehicle. At the same time, electronic content inside car cabin is rising. The seamless integration between the traditional products and electronics inside the car is triggering changes in materials, design and functionality of the interior components, says Rakesh Rao.

Interiors play an important role in vehicle design as it can help in reducing stress and increasing safety of the driver and occupants. Speaking at Center for Automotive Research's seminar at Traverse City (USA) in August last year, Maria Helena Antolin Rayband, Vice Chairman of Interiors Supplier of Grupo Antolin, said that vehicles of the future will become a person's third most important living space after their house and workplace. In fact, many studies have found that interior comfort to be the second most important factor in choosing a vehicle, ranking ahead of exterior styling and just behind reliability and durability.

The integration of electronic content inside car cabin is seeing a tremendous growth in the connected and aspiring automotive industry. "The interactions between the car and driver become paradoxically more complex, not less. There may be less to drive, but there is more to monitor. Besides the road itself, with all that equipment - the instrument panel, the HMI, autonomous systems - suddenly the car becomes as much of a driving challenge. Thus, the automotive interior will morph from a cockpit ideal to that of a "lounge" (a more passive and relaxing and social place). Comfort and delight features such as touch panels, ambient light features and luminescent surfaces are also expected to become more widespread," says P C Jayan, Director, Engineering, International Automotive Components (IAC).

Today's car owners want features and functions of auto interior to not only make their life easier, but also give it a stylish flare. Sitangshu Nandy,



Image Courtesy: Pinnacle Industries

Business Development and Program Management, IAC International Automotive India Pvt Ltd, informs, "Crafted interiors invoke the use of luxury components, most of which involve some sort of "Live stitch" and very tight Radii that will demonstrate more of craftsmanship. Personalisation will come into play starting from high segments and slowly percolating to mid segment cars. Improved haptics, while increasing mar, scratch and scuff resistance of the material will be a basic hygiene going forward."

Increasing seamlessness between the traditional products and electronics inside the car requires changes in materials, design and functionality of the interior components. For example, in India, the soft-touch instrument panels are gaining a momentum in the market as the customers outlook is shifting from basic variants to value variants. Sudhir Mehta, Chairman & Managing Director, Pinnacle Industries Ltd, observes, "Commercial vehicle interiors industry is expected to witness changes in the near future as the customer today gives

a lot of importance to individuality, comfort, style, luxury and overall design aesthetics. Shared mobility is also gaining momentum and that again will bring in a lot of transformation. Today, fleet operators and OEMs are looking at offering better design options, features and comfort for their end consumers. Also, the sudden boom in electric vehicles is also changing the dynamics with focus being driven more towards light weight seating systems. We will witness introduction of new materials, fabric, metals, etc., as weight and cost will become crucial."

### SHARED PROSPERITY

Given the growing urbanisation and increasing vehicles on road, shared mobility (Uber, Ola, etc) provides a significant alternative for commuters. This, in turn, offers immense opportunities for interiors business in areas like infotainment, comfort, ergonomics etc inside the car. Electrification too will have a good effect in terms of interiors getting more focus than before and becoming an

unique value proposition for OEMs.

Sudhir Mehta states, "With shared mobility and electric vehicles gaining importance, automotive interiors are also expected to undergo changes. Now, more emphasis has to be given on safety, comfort and more personalised features to ensure a smooth, comfortable and convenient ride. There will be a rise in demand for increased storage space, noise-free and clutter-free interiors, light weighting of interiors, individualised seating and charging sockets, digital displays, etc. It is an interesting opportunity for us as we are a one stop solution for commercial vehicle interiors. Our expertise in design, development and manufacturing of automotive interiors for commercial vehicle segment ranging from roofing to flooring gives us an edge to excel."

Gaining importance of autonomous (driverless) vehicles - along with shared mobility and electric vehicles - certainly augurs well for the companies in automotive interiors business.

"Advanced engineering teams are keeping a close eye on the emergence of "Autonomous Tech" to better understand how it will change the consumer behaviour in the car, and in turn how they interact with the interiors. The interior space will now be defined with integrating the technologies to cater to the growing demand," says Nandy.

Highlighting some of the India centric innovations for auto interiors, he says, "While many new technologies are specifically built for safety, some truly exciting entertainments could revolutionise not just the automotive industry but human transportation in general. Structural cockpits, lightweight console modules, lightweight and eco-friendly flooring system, natural and lightweight trims in the vehicles interiors, passenger safety with air bag modules, etc are some of our products that we manufacture and supply to various domestic OEMs."

### SLUGGISH, YET PROMISING MARKET

According to Sudhir Mehta, commercial vehicle seating and interior systems, in the last decade, has made significant advancement by progressing towards



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P C Jayan, Director, Engineering, International Automotive Components (IAC)



While many new technologies are specifically built for safety, some truly exciting entertainments could revolutionise not just the automotive industry but human transportation in general.

Sitangshu Nandy, Business Development and Program Management, IAC International Automotive India Pvt Ltd



Commercial vehicle interiors industry is expected to witness changes in the near future as the customer today gives a lot of importance to individuality, comfort, style, luxury and overall design aesthetics.

Sudhir Mehta, CMD, Pinnacle Industries Ltd

technical alignment with international safety standards. "With increasing focus on customers' demand for individualisation, comfort and luxury, the industry will witness trends like power seats, light-weight and economical material usage, introduction of new fabrics, compact designs, etc," he adds.

While the current sluggish auto sales are impacting suppliers (including auto interior providers), launch of new models and upgradation of existing variants is offering business opportunities for companies. P C Jayan comments, "Automotive volume has been going through the sluggish growth due to various factors, but the market is having constant upgrade and new models that are being launched with more features and personalised interior space which are more integrated to the current user demands and expectations eating into the same space. There is no one in the industry that is not affected. The slowdown gives us time and opportunity to look into smarter ways

of doing business; it allows us to think innovative."

Speaking about IAC growth plans, he says, "We will be doing same as what we do today, relentlessly work on opportunities for integration, innovative technologies and India-generating concepts to suit for local customer needs. There will be more and more opportunities in future through innovation that will come into interior space, as said earlier like personalisation of displays, colour section, lighting, and modular interiors. Such demands will be defining the future of interior. We just need to be smarter to see as how we can realign our manufacturing and engineering to cater to the end customers' needs."

Inspite of current slowdown, India remains one of the fastest growing automotive markets. By focusing on R&D, auto interior suppliers are gearing up to deliver products that meet the evolving market needs, thus fuelling the market growth.



# Insulating India against global trade wars

Domestic manufacturing should be given a fillip by creating mega plug-and-play industrial parks through PPP mode

SUDHIR MEHTA

Global trade wars have been making headlines almost every day in recent times. Uncertainty is looming over both developed as well as emerging economies making economic survival and viability unpredictable.

In its quest to become a self-sufficient nation, promote domestic production and discourage imports, the government has been aggressively promoting the 'Make in India' initiative.

Being a self-sufficient nation is an ideal situation but requires active government intervention and support. The MSME sector, considered to be the engine of growth for any nation, is currently facing multiple challenges in India.

Absence of adequate and timely organised finance, limited knowledge, non-availability of suitable technology, high cost of credit and over-regulation are factors impeding growth of this sector.

Adding to the woes, currently, banks, NBFCs and other financial institutions are facing severe turbulence, thereby further choking the liquidity pipeline and growth engine of the nation.

The government should initiate a massive programme to support plug-and-play infrastructure for new manufacturing units similar to what is available for IT companies. India needs to create "mega industrial parks" in PPP (public-private partnership) mode, wherein all infrastructure should be under control of a single entity.

The parks should provide common facilities such as STP, ETP, transformer, UPS, packaging, general utility support, logistics management, and storage facilities.

In this scenario, prospective manufacturing units would only need to set up their plant and machinery without worrying about land acquisition and related challenges. Land acquisition is one of the major stumbling blocks for

## Industrial parks: A proposed model

Development scheme for import substitution	
10 clusters in different States of 2,000 acres each with focus on import substitution industries	20,000 acre
Development area (assuming built-up area of 40%)	348.48 million sq. ft.
Cost of land @ ₹1 crore per acre (assuming location nearby city)	₹20,000 cr
Investment in project building @ ₹1,200 per sq. ft.	₹41,820 cr
<b>Total land and building investment (in phases)</b>	<b>₹61,820 cr</b>
Possible number of industries	
Large enterprises: 60% area at 3,00,000 sq. ft. per unit	700
Medium enterprises: 20% area at 50,000 sq. ft. per unit	1,400
Small and micro enterprises: 20% area at 20,000 sq. ft. per unit	3,500
Expected number of industrial units	
<b>Plant and machinery investment</b>	<b>₹1,85,460 cr</b>
<b>Investment generation</b>	<b>₹2,47,280 cr</b>
<b>Revenue generation (considering asset: turnover ratio 1:1.5)</b>	<b>₹3,70,920 cr per annum</b>
<b>GST to government @ 18%</b>	<b>₹66,765 cr per annum</b>
<b>Employment creation: Direct</b>	<b>0.46 million (numbers)</b>
<b>Employment creation: Indirect</b>	<b>1.39 million (numbers)</b>
<b>Total employment creation</b>	<b>1.85 million (numbers)</b>



most multinational companies.

The plug-and-play infrastructure facility should disaggregate assets like land, building, common infrastructure, services and plant and machinery, while allowing easy transfer of machinery if the project is not viable.

Globally competitive rentals in the mega parks should be considered to encourage more participation.

Traditionally, land was considered a good investment option as it was expected to appreciate creating an asset for the future. In fact, many fortunes have been made on old industrial land converted for commercial use. Contrary to this, in the current scenario, land prices are high, stabilised and not expected to appreciate in the near future, thus being a discouragement for many companies and entrepreneurs.

Land acquisition is anyway considered to be a challenge that most would like to avoid. The IT industry, despite being cash-rich, has preferred to grow on a leasing rather than purchase model. A

proposed plug-and-play infrastructure model is presented in the table.

The government should start by identifying one cluster for import substitution and emerging export industry.

Within the cluster, at least 10 per cent of the space should be reserved for common services like banks, logistics, R&D labs, packaging, product displays, staff transportation, etc.

It should provide interest subvention of 5 per cent for all investments in these specified clusters and support developers to enable rent under viability gap funding model.

### Will reduce costs

Data show that availability of plug-and-play facilities for manufacturing can have an overall reduction of around 28 per cent in project funding requirement as well as reduction in project gestation period by one year, having an impact of around 15 per cent reduction in finance cost.

The proposed model will help

in reducing funding requirement, improve IRR for units, make it simpler for banks to assess project reports and help in easy closure or relocation of manufacturing units. The model will help in increasing employment for local communities by 2x-3x times as compared to standalone industrial units.

The plug-and-play model will have the flexibility of expansion and change as per business demand since there would be minimal constraints of land and building availability. A cluster approach will support the development of ancillary units as well as help reduce logistics costs and time-to-market.

A huge fillip to employment can be provided as each cluster has the potential to generate almost 200,000 new jobs. The cost of viability gap funding for the government will be more than recovered from the additional GST revenues and other taxes in the medium to long term.

Many construction jobs will also be created for the building of

these mega industrial parks.

As compared to owned and mortgaged properties with legal issues, these assets would be easily transferable leading to reduction in NPAs (non-performing assets) and a 25-35 per cent reduction in capital requirement by SMEs.

To transform our nation from a trade deficit to a trade surplus one and insulate it from the growing global trade wars, the government needs to encourage growth in domestic manufacturing capacities. It should consider providing facilities like plug-and-play infrastructure that would help entrepreneurs, manufacturers and global companies set up manufacturing units in India.

"Make in India" is a strong initiative and needs to be supported not only by 'ease of doing business' or finance facilities, but should also be backed by easily available, hassle-free and value-for-money infrastructure.

The writer is Past Chair CII Western Region

## THE HINDU BusinessLine

# India must clean up its payments ecosystem

Delayed payments are hurting MSMEs; fresh infusion of funds to clear dues can boost sentiment, stimulate growth

SUDHIR MEHTA

On the back of weak economic growth and with a view to strengthen private consumption and spur private investment, the Monetary Policy Committee cut policy rates last week – the fifth time in a row. The RBI, over the past few months, has continued its accommodative stance while ensuring that inflation remains well within the target.

There has been a flurry of activity on the economic front too with a slew of measures designed to re-ignite growth. While these are welcome, a critical factor impeding growth is the absence of liquidity where it is needed, combined with uncertainty about realisable returns from new economic opportunities. Paradoxically, businesses with excess liquidity prefer to park capital in high-yielding deposits rather than in long-gestation projects where the risks are much higher and the realisable returns uncertain. This is compounded by the

uncertainty of payment collections, which affects cash flows and debt repayment obligations.

India suffers from a poor payments culture and has the worst record in the Asia-Pacific. Government payments are generally delayed, as a result of which downstream payments to sub-suppliers are affected too. The record of the private sector is no better, with payment delays being the biggest cause of worry for most entrepreneurs. The government has amended the laws where payments to MSMEs cannot be delayed beyond 45 days and a redress mechanism has also been set up. This, however, suffers from the critical flaw where the balance of power is tilted in favour of the government or private buyer. MSMEs are hesitant to take the redress route as they fear denial of future orders once a complaint is made. This spiral of delayed payments results in higher purchase prices as the penal interest costs are factored in. Globally, India's reputation for poor adherence to payment terms is affecting the 'ease of do-



Funds not flowing in at the right time

ing business' ratings. Due to their sheer size, MSMEs are the worst affected by delayed payments. They have a very small window and sometimes none to cover up the financial shortfall, considering the high cost of borrowing and less robust credit rating.

### Facilitation fund

The government needs to usher in big bang reforms to change this culture of poor payments. The RBI today is flush with reserves and foreign funds are also available at very low rates. The government should create a payment facilitation fund of ₹3 lakh

crore. Of this, ₹1 lakh crore should be for the Central government and an equal amount for State governments and public sector units, respectively. The government can then use the TReDS platform to clear all overdue payments of the Central/State governments and PSUs with limits for each. The release of this ₹3 lakh crore into the economy over the next 60 days will bring about a big change in sentiment and stimulate growth.

Many more companies will be enthused to work with the government, resulting in lower prices. Such a large infusion into the economy will have an immediate and lasting impact on both consumption and investment.

The cost of this measure will be around ₹12,000 crore annually, assuming the government will now pay immediately after the work is completed and certified rather than after six to nine months as per the current practice. Since the global economy is awash with liquidity and most government bonds now fetch sub-zero yields, the borrowing

cost for the government will be insignificant compared to the benefits.

This one measure will transform sentiments, improve 'ease of doing business' and bring in a culture where the payment terms are respected. The payment facilitation fund can be either a balance sheet obligation or monetised to be paid over the next five years from improved tax collections.

A significant cause for non-performing assets in the banking sector is timing mismatches in payments, which can be significantly reduced with this one measure. Many companies which were otherwise healthy have become sick over the past few years because of delayed payments from their customers. Several of these can still be revived if they receive their dues in time.

An announcement by the government that it is reforming and making "Swachh" its payment systems will lead to a transformation in business sentiment.

The writer is Past Chair CII Western Region



# In the news

SHAREHOLDERS

## Challenges Faced by Micro-irrigation Shareholders

At the manufacturing level, the industry is grappling from with cash flow issues due to delays by state governments



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NEXT ARTICLE



**Sudhir Mehta**

Chairman and Managing Director, Pinnacle Industries

November 18, 2019 5 min read

Opinions expressed by *Entrepreneur* contributors are their own.

The world is reeling under water scarcity. Over the past few years, several studies and reports have been released as well as discussions and conventions have been held globally to address the issue. Cities like Cape Town have already witnessed "Day Zero" and likewise many more cities are fast approaching Day Zero situation, where people would have to go to collect water from common collection centres. India too is no exception.

Rising population, unplanned urbanization, industrialization, pollution of water sources and low understanding of water management system are some of the challenges faced by the country, which need immediate attention.

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In India, large amount of water is consumed by the agriculture sector. While most of the farming sector is rain fed and highly dependent on monsoon, some farmers depend on groundwater and borewells. Over exploitation of ground water without any strategy for recharging it is leading to rapid dwindling of groundwater in the country.

Agriculture sector, which consumes nearly 80% of fresh water, is on the brink of major water crisis and the Government has been rigorously promoting schemes such as Pradhan Mantri Krishi Sinchai Yojana (PMKSY) to help farmers get maximum yield for every drop of water used. The Centre as well as state governments are promoting micro-irrigation to help farmers save water and boost yield.

While at the concept stage, micro-irrigation is facing challenges like energy crisis, awareness, affordability and declining landholdings and farm income. At the manufacturing level, the industry is grappling with cash flow issues due to delays from various state governments.

Compared with contracted debtor days of 65 earlier, the range has gone up anywhere between 172 days and 455 days, and as of 31 March 2019 there was an outstanding payment of almost INR 5,000 crore, leading to enormous cash flow challenges on the industry. Add to this, the overall process including, identification of farmer application, approval of supply, issue of work order, installation from supplier, and inspection and approval from government agencies is time consuming process by itself. In a nutshell, from application to release of payments, the entire process could take anywhere between 300 days to 600 days.

Micro Irrigation is identified as thrust area under the campaigns 'Per drop more crop' and 'Har khet ko paani'. In the past five years, the coverage of micro irrigation was approximately 4 million hectare. The current central government's manifesto, the vision of 10 million hectare in the next five years (2019-2024) and its emphasis on popularising water conservation technologies such as micro-irrigation with the mantra of 'per drop, more crop' through PMKSY, is a bold step to make impact in reviving water conservation and agriculture.

This year (FY19-20), the budgetary support for this sector is around INR 5,000 crore. The states also have top-up subsidies (in addition to PMKSY mandatory contribution of around INR 1,500 crore) to the tune up to INR 1,500 crore to increase the farmer affordability and micro-irrigation coverage. The total micro-irrigation industry size is roughly INR 6,000 crore. As per government manifesto and vision documents, government plans to cover 10 million hectare in the next five years which is around INR 12,000 crore per annum. The industry has installed capacity and can do more to achieve this. The micro-irrigation industry has over 300 companies working comprising of global multinationals, local reputed brands and lot of MSMEs. It is also supported by the ecosystem of ancillary industrial unit.

SHARING ECONOMY

## Shared Mobility – a Step Towards Affordable, Reliable, Clean, and Efficient Future

As one of the most populated countries and the fastest-growing economies of the world, India today is at an inflection point of developing its mobility systems



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**Sudhir Mehta**

Chairman and Managing Director, Pinnacle Industries

October 15, 2019 5 min read

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India is one of the fast-growing large economies. Over the past decade, India has witnessed a rise in disposable income, rapid urbanization, access to technology, Internet and information as well as awareness towards environmental management. Despite various favourable factors, the country is still struggling on multiple fronts—under-developed infrastructure, pollution, rising urbanization and lack of jobs. As one of the most populated countries and the fastest-growing economies of the world, India today is at an inflection point of developing its mobility systems, develop infrastructure, improve its environment and create job opportunities for the unemployed. To support the rapid growth and urbanization, the country immediately needs to relook at improving its infrastructure and developing safe, smart and sustainable public mobility.

**Need for enhancing sharing**

**EMINENT SPEAKERS**

**ABHIJIT RAY**  
Co-founder & Managing Director, Unitus Capital and UC Inclusive Pvt. Ltd.

**RITU MARYA**  
Editor-in-Chief, Entrepreneur Media APAC

**HARSH JAIN**  
Co-Founder & COO, Groww

Sharing and Renting – New way of traveling

First union budget of Modi 2.0 government has laid emphasis on infrastructure development and promoting electric vehicles. Until this is established, affordability and challenge of daily commute continues for the common man.

With a relatively low 30 cars owned per thousand, and given the infrastructure constraints, Indians are feeling the need to relook at their transportation requirements. Also, given the cost of owning and maintaining a personal vehicle and the rise in multiple ride and shared-mobility options now prevalent in major cities, Indians are beginning to reconsider their options for personal mobility.

Shared mobility, an established model in developed countries and evolving model in India, can help in addressing multiple challenges at the same time, especially infrastructure congestion, pollution control, support growing tourism and job creation.

The shared mobility market in India is driven by rapid urbanization, rise in living standards and technological advancements. With the growing environmental awareness and increasing traffic congestion on the roads, people have started using shared mobility services, such as Ola, Uber and Shutt! for their daily commute.

As per recent statistics, there are 1.5 billion daily commutes in a day (520 million working population (156 million in urban areas), 300 million school / college education population), translating into 750 million motorized pattern trips, twice a day. A staggering INR 10.5 lakh crore are spent annually on commute. The annual per capita spend on ground transport is INR 9,240 (~13% of income), out of this spend, 87% is pattern/route based. As a result, annual per capita spend on pattern transport is INR 8,120 and top 50 cities concentrate most of the mobility spend in India. India has 50 cities with population of more than 1 million and 61 cities with more than 850,000 people. Large population clusters, young demographic and rising Internet penetration. These are ingredients for India to be one the largest shared mobility markets in the world.

The Indian shared mobility market is witnessing the emergence of technology-based services which would rapidly get migrated from fuel-based vehicles to electric vehicles. Also, there has been a shift in the preference of the consumers from ownership to sharing and usership over the recent years, owing to the transforming demographics. The vehicles are now being mere utilities and it is no longer about prestige, as it used to be once upon a time.

Digital and app-based travel solutions are growing exponentially in India, thanks to rapid growth in Internet and smart phones, digital savvy Indians are re-imagining their mobility preferences. Given the math, cost of ownership of vehicle is far higher compared with shared mobility, though infrastructure constraints continue to hound the government and public at large. The shift from ownership to shared mobility is likely to have a profound economic and environmental impact in the years to come, potentially saving the country crores of rupees just in fuel costs alone.

**Shared Mobility: A silver lining**

Shared mobility is one opportunity that would help Modi 2.0 to address multiple challenges of decongesting infrastructure, manage environment deterioration, create entrepreneurship and jobs. India is uniquely positioned to embrace shared mobility, thanks to factors such as familiarity with shared services, rising digital infrastructure, rising indispensable income; support India's opportunity to meet transportation demand with shared mobility solutions.

Shared mobility has the power to discourage private ownership of vehicles which is costly and inefficient and promote public transport, thereby utilizing the available assets to its maximum potential and making public transport more viable for the government as well as private operators. This could be the beginning of a future of mobility that is more affordable, reliable, clean, and efficient.







# Featured Employees

## Outstanding Contribution



**Ms. Kaksha Malusare**  
**Sr. Executive II**  
**Accounts, PIL**



**Mr. Swapnil Munot**  
**Executive**  
**Purchase, PIL**



**Mr. Suraj Sangolkar**  
**Engineer**  
**R&D, PIL**



**Mr. Ashish Singh**  
**Sr. Engineer I**  
**PSV**



**Mr. Girdhari Thakur**  
**Seat Assembly**  
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