

## Country Paper on Ancillarisation in India

Ancillarisation in India has a modest beginning during 70s there were few thousands of ancillary industries were supplying items/products to large scale industries mainly public sector units. Since then there was a substantial growth in number of ancillary industries and there are 1,32,413 numbers of ancillary industries in the country as per 3<sup>rd</sup> Census of Small Scale Industries in the year 2001 - 02. As per definition framed by Govt. of India, an Industrial Unit having investment of Rs. 1.00 crore in plant and machinery and supplying not more than 50 per cent of their industrial out-put to their mother units is termed as Ancillary Industries. The ancillary industries in the country are manufacturing a wide range of items to public sector units/MNCs. The ancillary industries have come up to the expectations of large- scale units/MNCs with quality and quantity.

Small Industries Development Organization under the Ministry of Small Scale Industries, Govt. of India have launched various programmes/schemes to promote ancillarisation in the country during last decade. They are:

### 1. VENDOR DEVELOPMENT PROGRAMME

Small industries Development Organisation through its field institutes i.e. Small Industries Service Institutes is conducting a number of National/State level Vendor Development Programmes which provide a common platform to buying as well as selling organisations to inter-act with each other with a view to identifying emerging demands of the buyer organisations while simultaneously providing an opportunity for displaying the capabilities of the small scale entrepreneurs and their industrial ventures. Such Programmes have proved to be of immense use in locating suitable entrepreneurs by a number of buying organizations including the Public Sector Enterprises. Various wings of Defence. Railways and others in indigenising a number of products, which hitherto were imported at a colossal cost that too from the hard currency areas besides helping small entrepreneurs in upgrading their quality.

Director General Quality Assurance, Directorate General Air Quality Assurance. Eastern/Western/ Southern Naval Commands, the Railways, the ONGC, Defence Public Sector Undertakings and a number of large industrial undertakings (Public and Private Sector) besides a large number of small scale industries have been participating in these Programmes and have registered useful gains.

In order to provide newer marketing opportunities to small-scale entrepreneurs. SIDO is organizing a number of Vendor Development Programmes. Buyer Seller Meet & Exhibitions to promote indigenisation of defence stores. The Vendor Development Programme cum Buyer Seller Meet & Exhibitions aim at persuading small scale entrepreneurs to pick up as many items as possible for indigenous development. Many small - scale entrepreneurs have been coming forward to develop a number of such items. It would also be worthwhile to mention that over the past few years. Small -scale entrepreneurs have shown their worth and have been bagging a number of awards instituted for defence indigenisation.

Vendor Development Programmes have also been useful in the area of Defence Procurement. Defence production has been in public sector since the days of Industrial Policy announced in 1948. As a result a large infrastructure for defence ordnance and equipment consisting of 39 Ordnance Factories, 8 Defence PSUs and 50 R&D laboratories were created in the country.

These institutions besides providing direct employment to over 2 lakh persons have also generated large scale indirect employment through ancillaries and small and medium enterprises by outsourcing to the later the supply of raw material, semi-finished goods/products parts and components. The combined turnover of the Ordnance Factories and Defence PSUs was Rs. 16.600 crores during 2003-04. These establishments currently outsource their requirements from the private sector to the extent of 20-25% and out of the quantities so outsourced 1/4 is met through the small -scale sector mainly ancillary industries.

Vendor Development Programme have also been useful in development of Automotive components Industries. More than 6500 numbers of small -scale industries are in operation for manufacturing automotive components. They are catering the need of Indian Auto Industries. Broadly the auto component manufacturers supply to two kinds of buyers-original equipment manufactures (OEM) and the replacement market. The replacement market is characterized by the presence of several small scale suppliers who have an advantage over [he organized players in terms of excise duty exemption and lower overheads. The demand from the OEM market, on the other hand is dependent on the demand for new vehicles. The auto components industry production grew by 15% in the year 2004-2005 and this industry maintains a low but positive growth rate mainly due to its export performance

30-35 such programmes are being conducted every year throughout the country of which 10-12 are of national level. During last three years 105 Nos. of Vendor Development Programmes have been conducted.

**Some of the Programmes' achievements are:**

- (a) The event provides awareness/knowledge to a large number of entrepreneurs about the quality parameters that the buyers expect from them and also to the extent they have to upgrade/modernize their machinery, technology so as to meet the buyers standards.
- (b) Such Programmes have proved to be of immense use in locating suitable entrepreneurs for outsourcing by a number of buying organisations i.e. Manufacturing/ Purchasing organisations of Defence & Railways, Manufacturing/Purchasing organizations of other Govt. Departments and of Private & Public Sector Undertakings.
- (c) These Programmes bring awareness amongst small -scale entrepreneurs about the item, their quality, parameters, quantity, procurement & inspection procedures, payment terms, etc.

The details of Vendor Development Programme conducted during last three years are as follow?

S. No.	Financial Year	No. VDP's Conducted	No. of Participants	
			SSI Unit	PSU's
1	2002-2003	45	2170	122
2	2003-2004	35	1473	272
3	2004-2005	25	808	129

During the 10<sup>th</sup> Five-year plan about 200 VDP's shall be conducted by Small Industries Service Institutes in the whole country.

## 2. SUB CONTRACTING EXCHANGES

To facilitate providing of the two-way information to buyers and sellers. SIDO in middle 70s started a Scheme of setting up of Sub Contracting Exchanges at the Small Industries Service Institutes (SISIs) since then 35 Subcontracting Exchanges have been set up at the various SISIs/Branch SISIs evenly spread all over the country.

**A Sub Contracting Exchange (SCX)** is a Store house of Data with regard to the capacities of the Small Scale Units in terms of products manufactured/services rendered, idle capacities available on particular processes/machines on the one hand while storing data with regard to the requirements of the buyers which could be product/components/sub- assemblies/services on the other hand. The Exchange also stores data about the specifications, class of accuracy, quantities, etc. in the above cases. The main objective of storing such a data is to arrange match making between a buyer and a seller, resulting in creased business opportunities.

To further augment the industrial data storage and dissemination facilities, a Scheme of assisting Industry Associations/Non-Government Organisations (NGOs) to set up Sub Contracting Exchanges at their premises was also introduced by the Government of India through Small Industries Development Organisation (SIDO) in the year 1995. Under this Scheme, the Industry Associations/NGOs providing appropriate infrastructure and manpower to run the Exchange can avail financial assistance up to Rs. 4.70 lakhs each for facilitating to procure the necessary equipments such as Computers, Printer, Photocopying Machine, Fax Machine. Telephone Connections. Furniture etc. The Scheme also provides for subsidizing the operational costs of the Exchanges on a tapering basis up to a maximum of Rs. 1.57 lakes each over a period of 3 years from the date of setting up of the Exchange. Till, today. 59 Industry Associations/NGOs have been provided assistance for setting up the Sub Contracting Exchanges. At present these SCX's providing match making ties between large and small scale industries and have benefited substantially to both of them i.e. establishing long term business linkages.

State-wise list of SCX's set up by Industries Associations / NGO's assisted by office of DC (SSI) is given below:

<b>Sl. No.</b>	<b>Name of the State</b>	<b>No. of SCX's are established</b>
1	Karnataka	8
2	Tamilnadu	5
3	Kerala	5
4	Delhi	4
5	Maharashtra	6
6	Punjab	4
7	Orissa	2
8	Haryana	2
9	Assam	2
10	Uttar Pradesh	3
11	Asndhra Pradesh	2
12	Madhya Pradesh	1
13	West Bengal	1
14	Gujarat	4
15	Rajasthan	5
16	Jammu & Kashmir	2
17	Chattisgarh	2
18	Goa	1
	<b>Total</b>	<b>59</b>