

Step-by Step approach to start a Coir Industry

1. Identifying the opportunity

The overriding reason for anyone to think of establishing a Coir unit can be summarised in one word - opportunity. An opportunity to provide a product or service, which can generate sufficient surplus. This is all the more true if one is a believer in the maxim, "Small is Beautiful".

However, ideas need to be filtered through a multi-layer questions which is shown in the following flow:

- Does the idea fire up your motivation?
- Is it a viable business proposition in your area?
- Does it match the needs of your client?
- Check it out with basic market research
- Test it out at market place
- Consult with the experts
- Look out for competition in the field
- Is it a sunrise industry?
- Your business opportunity
- Project conceptualisation

Once the ideas are screened and a viable business opportunity emerges the project has to be conceptualised in all its dimensions. The 4 Ps of Project Conception is:

- **PRODUCT** (Shape, Size and Nature)
- **PROCESS** (Technology to produce the product)
- **PLACE** (Location of Plant)
- **PARTNER** (Technological or Financial Collaborator)

2. Making a Product Choice

In a project conceptualisation stage while making a product choice following factors are related to product need to be considered:

- Product Line - Depth, Width
- Packaging
- Branding
- Warranties
- After Sales Service

Some other factors that one should consider while finalizing the product choice are:

- Ease of availability of raw-material
- Process Technology

- Accessibility to the market
- Incentive and support from Government

Market information is also important for product selection. Products, which are likely to have a number of players in the market, are best avoided. Some such products in the recent past have been plastic footwear, audio cassettes, disposable gloves and bulk drugs.

In case the entrepreneur is looking for a product, which has export potential, the following additional questions need to be asked:

- What should be the contents of export-product portfolio?
- What are the special requirements for packaging if one has to export the products?
- What product adaptations are needed to be made for exporting a product to a specific country?
- Are any WTO conditionalities involved e.g. "child labour free", ISO 9000 certified, GMP followed etc.

The development of export-product portfolio can be done by considering 4 parameters viz.

- External demand conditions
- Internal supply capability
- Complexity of marketing tasks
- Amount of investment required to penetrate the market

Analysis can be conducted using this four dimensional model. The obvious choice is a product which scores a high rating on first two parameters and low rating on last two parameters.

EXIM (Export Import Bank of India) Bank has also developed an excellent model to conduct the export-product portfolio analysis based on three parameters viz.

- Supply Capability In Product Group
- Domestic Environment
- Export Market Attractiveness

This analysis gives rise to product groups with high potential or low potential.

With regard to special packaging requirements one has to be careful about laws of the country one is exporting to. For instance, while exporting to Australia, wooden-packaging cannot be done.

Product adaptations for country's specific needs look into things like whether voltage supply is 220V or 110V for electric appliances and for automobiles whether left-hand drive or right-hand drive is appropriate.

It has now become important to understand the implications of the various agreements which form part of WTO.

Once the product is finalised, choices of process technology emerge.

3. Process Selection

Choices of process technology emerge once the product is finalised. For some complex products, process know how has to be imported. In such cases agreements for technology transfer should be made with due care to safeguard interest. A lot of appropriate technology is being developed at CSIR and Defense Research Labs and some of this technology can now be bought. Indigenously developed process know-how has intrinsic benefits such as appropriateness and relative inexpensiveness.

While checking out on a process technology, the following things need to be considered with utmost care:

- Whether process requires very high level of skilled workers or complex machines?
- Whether process requires large quantities of water and/or power?
- Whether any process or product patent needs to be honoured while utilising the selected process technology.
- Any special pollution or environmental regulations.
- Finally, the appropriateness to the indian environment and conditions.
Machinery and equipment

One of the major deficiencies in the micro, small and medium enterprises scenario is the prevalence of outdated production and management methods hindering the efficient operation of micro, small and medium- scale units. It was also found that the most important reason for the reluctance of the small industrialists to install modern machinery and equipment was the lack of investible funds. The main objective of National micro, small and medium enterprises (NMSME) is to provide machinery and equipment to small industrial units offering them long repayment period with moderate rate of interest.

4. Arranging Finance

No Coir unit can take off without monetary support. This need for finance can be classified into following types:

- Long and medium term loans
- Short term or working capital requirements
- Risk Capital
- Seed Capital/Marginal Money
- Bridge loans

Financial assistance in India for MSME units is available from a variety of institutions. The important ones are:

- (i) Coir Board, Govt of India
- (ii) Commercial/Regional Rural/Co-operative Banks.
- (iii) SIDBI: Small Industries Development Bank of India (refinance and direct lending)
- (iv) SFCs/SIDCs: State Financial Corporations /State Industrial Development Corporations.

Long and medium term loans are provided by SFCs, SIDBI and SIDCs. Banks also finance term loans. This type of financing is needed to fund purchase of land, construction of factory building/shed and for purchase of machinery and equipment. The short-term loans are required for working capital requirements, which fund the purchase of raw materials and consumables, payment of wages and other immediate manufacturing and administrative expenses. Such loans are generally available from commercial banks. The commercial banks also sanction composite loan comprising of working capital and term loan up to a loan limit of Rs.1 crore.

For loans from financial institutions and commercial banks a formal application needs to be made. The details of documentation that need to be provided with the loan application are indicated below:

- Documentation for Loan Application
- Balance Sheet and Profit Loss Statement for last three consecutive years of firms owned by promoters
- Income Tax Assessment Certificates of Partners/Directors
- Proof of Possession of Land/Building
- Architect's estimate for construction cost
- Partnership deed/Memorandum and Articles of Associations of Company
- Project Report
- Budgetary Quotations of Plant and Machinery

A sanction or rejection letter is issued by bank after its assessment of the application. After receiving a sanction letter, applicants need to indicate in writing their acceptance of terms and conditions laid down by FI/Banks.

Subsequently, loan is disbursed according to the phased implementation of the project. In today's environment there are other choices apart from commercial banks and Government owned financial institutions. These options include venture capital funds and non-government finance companies.

5. Filing of Udyog Aadhaar Registration

The online Udyog Aadhaar registration process has been created with an aim to encourage online filing of Entrepreneurs Memorandum (also known as MSME registration) for Micro, Small and Medium Enterprises. The online Udyog Aadhaar

registration process will simplify the registration process with an online and simple one page registration form. In the form, the MSME will self certify its existence, bank account, business activity details, employment and ownership details and other information.

Click here to access [online Udyog Aadhaar registration form](#).

Documents and Information Required for Online Udyog Aadhaar Registration

1. **Aadhaar Number**– 12 digit Aadhaar number issued to the applicant.
2. **Name of Owner**– The applicant name as mentioned on the Aadhaar Card issued by UIDAI.
3. **Social Category** – Applicants Caste: General / Scheduled Caste / Scheduled Tribe / Other Backward Castes. The proof of belonging to SC, ST or OBC may be asked by appropriate authority, if and when required.
4. **Name of Enterprise**– Name of the legal entity to conduct business. One applicant can have more than one enterprises doing business and each one can be registered for a separate Udyog Aadhaar and with the same Aadhaar Number.
5. **Type of Organization**– Type of Business entity or Legal Entity.
 1. Proprietorship
 2. Partnership Firm
 3. Hindu Undivided Family
 4. Private Limited Company
 5. Co-Operative
 6. Public Limited Company
 7. Self Help Group
 8. Others (Limited Liability Partnership)
6. **Postal Address**– Address of the business including mobile and email address.
7. **Date of Commencement**– The date on which businesses was started.
8. **Previous Registration Details**– Details of previous MSME registration, if applicable should be entered here.
9. **Bank Details**– Details of bank account of the company including IFSC Code and Bank Account number.
10. **Major Activity**– Major area of activity of the business – manufacturing or service.
11. **NIC Code**– The appropriate NIC Code should be entered from the National Industrial Classification (NIC) handbook. Click here to download [NIC Code Handbook](#).
12. **Person employed**– The total number of people employed in the business.
13. **Investment in Plant & Machinery / Equipment**– Amount of money invested in terms of machinery and equipment by the business.
14. **DIC**– Details of the District Industry Center nearest to the business, if required.

For more assistance, get in touch with an IndiaFilings Business Expert. IndiaFilings can also help you obtain Udyog Aadhaar registration in India.

6. Construction of Building

Once an industrial plot for the unit is secured, then the next job is that of finding a suitable architect. Design of factory building has to be in consonance with the type of industry and have an appropriate plant layout.

An architect's estimate of building construction is essential for loan applications. Further, architect's certificate for money spent on building is needed for disbursement of loan.

7. Getting the Utility Connections

Among the utilities of prime importance are power and water. In many cases getting power connection causes delay in setting up of plant. Therefore it is imperative to commence work on these aspects with diligent follow up. Power connections are generally of either LT (Low Tension) or HT (High-tension) type. If connected load is upto 75 HP, LT connection is provided. For connected loads of 130 HP or higher only HT connection is provided.

A formal application needs to be made in a specified form to the state electricity board. An electrical inspector is deputed for evaluation of application to factory site, after which the load is sanctioned. In areas of power shortage, it is advisable to augment the power supply with a captive generating set.

Water connection is also obtained likewise by applying in advance in formal forms. The water supply can be augmented by installation of tubewell.

8. Getting 3M's Right

Men

Projections for manpower and staffing are made in the project report. However it is necessary to time the induction of manpower in a planned manner. The engineers and operatives must be available before the installation of the machinery.

Machinery

Choosing and ordering of right machinery is also of paramount importance. In many cases technology or process provides us with specifications which is not provided, then an extensive techno-economic survey of machinery and equipment available must be carried out. International trade fairs and engineering fairs are good places to look at available options. The entrepreneur must also consult experts, dealers / suppliers as well as users, prior to making a selection of equipment and machinery. The advice of DIC, MSMEI and NSIC can also be sought.

Materials

Materials procurement and planning are critical to success, of a start-up with a MSME unit. Inventory management can lead to manageable cash flow situations; otherwise if too much is ordered too soon considerable amount of working capital gets locked up. On the other hand, non-availability may result in production hold-ups, and idle machine and manpower. For essential imported raw material whose lead-time is large proper planning is all the more essential.

Every SSI unit has to comply with various regulations in force. These include regulatory, taxation, environmental and certain product specific clearances. This section looks into the methodology of obtaining these approvals and clearances.

Subject to this, an entrepreneur can set up a SSI unit anywhere in the country without any restriction. The units are, of course, subject to the locational/land use and zoning restrictions in force under the local laws.