Cluster Trends

Nashik has industrial units across various sectors ranging from small enterprises to large establishments. The major industries are engineering, auto components, food and agro, pharmaceuticals, chemicals, IT, wooden furniture, machinery (machine tools), electrical, and electronic, among others.

Ownership Pattern
The study revealed that majority of the surveyed companies i.e. ~86% in Nashik are privately held. Public limited and partnership companies accounted for equal composition of 7% each of the total companies.

Chart 4.1: Classification as per nature of ownership (% of companies)

More than half of the companies were established during the decade following the post liberalization time, 54% were formed between 1990-2000 period, ~19% were established before 1990, 16% during 2001-2005, and the remaining 10% in the post 2005 era.

Companies from the engineering sector turned out to be most prominent in the Nashik cluster, accounting for around 37% of the total surveyed companies, followed by 10% share of IT companies. Pharmaceutical and chemical companies collectively accounted for 8%, whereas electrical and electronic companies also collectively accounted for a similar share. The remaining 38% of companies belonged to various industries like agro, metals, plastics, rubber, etc. All the engineering companies turned out to be private limited entities.
Operational Analysis

Chart 4.2: Revenue classification (% of companies)

The surveyed revealed that majority of the companies i.e. 71% from the Nashik cluster had an annual turnover of below ₹ 50 mn in FY12. Around 21% of the companies earned revenue between ₹ 50.01 – 100 mn. Only 2% of the companies displayed revenue in the highest revenue bracket of more than ₹ 500 mn. Similar trend was displayed by all private companies, with 72% having annual turnover below ₹ 50 mn in FY12 and 20% of companies in the revenue bracket of ₹ 50.01 – 100 mn.

A sector-wise comparison revealed that a large proportion of engineering firms i.e. 81% had an annual turnover of below ₹ 50 mn in FY12, 21% earned revenue between ₹ 50.01 – 100 mn. However, the scenario changed for IT companies, wherein 80% had an annual turnover of below ₹ 50 mn, but 20% earned revenue between ₹ 100.01 – 250 mn. None of the companies from neither engineering nor IT sectors clocked revenue of more than ₹ 250 mn in FY12 from the Nashik cluster.

Chart 4.3: Income share (% of companies)

The survey results revealed that companies from Nashik cluster largely cater to the domestic market. ~60% catered only to the domestic market, whereas 38% catered to the domestic as well as the export market. 35% of the companies, which were involved in export activities earned more than one third of their revenue from overseas market.

Among the surveyed companies, catering only to the domestic market, 74% of the respondents had revenue below ₹ 50 million and 18% had revenue higher than ₹ 50 mn but lower than ₹ 100 mn in FY12. Around two third of the companies, which catered to domestic and export markets, had revenue of less than ₹ 50 mn. Approximately one third of engineering firms catered to both domestic and overseas markets.

Europe turned out to be the most preferred export destination accounting for 33% share of the overall export market. It was followed by Asia and America accounting for 29% and 17% share. Engineering firms demonstrated a similar trend with 87% and 75% of the companies exporting to Europe and Asia.
Technology Scenario
The survey revealed that 76% of the respondents have adopted IT (information technology) tools, either hardware or software, for their businesses. However, the fact that expenditure on IT components is much lower than other expenditure came to fore. 66% of the companies spent less that 1% of total expenditure on IT related expenses. More than half of the engineering firms, around 56%, spent less than 1% on IT expense. None of the companies from Nashik cluster spent more than 5% on IT related expenditure.

Chart 4.5: Composition of expenditure on IT* (%)

*As a proportion of total expenditure
Source: D&B Study

Amongst the companies that have adopted information technology tools, about 48% have implemented enterprise resource planning (ERP) programs, whereas 34% opted for 100% customized software. 69% of engineering firms have adopted IT tools and of these 64% have implemented ERP programs.
The survey revealed that expensive technology and the high cost of implementation are two major deterrents for companies adopting information technology tools. ~60% respondents felt expensive technology was a major challenge, whereas 59% felt high cost of implantation acted as one of the major obstacles for adopting IT systems and tools. Since majority of the companies from the Nashik cluster had an annual turnover below ₹50 mn in FY12, being a small business for IT application also emerged as one of the major obstacles in IT adoption.

Quality improvement and increasing productivity turned out to be the two main factors that were driving technology upgradation in the Nashik cluster. About 79% and 60% of the respondents ranked quality improvement and increasing productivity as important factors driving technology upgradation. Bringing in efficiency and streamlining production, and moving up the value chain were ranked third and fourth respectively as other important drivers for technology upgradation.
In terms of benefits of implementing ERP or customised software, 31% respondents believed that it enabled better planning. 21% and 20% of the respondents believed that it assisted in improved productivity and structured processes.

**Cluster - Business environment**

The survey also studied the various components in the overall business environment in the Nashik cluster. These included the benefits and challenges of operating in the cluster, role of policy initiatives, and competitiveness of the cluster, among others.

**Benefits of operating in the cluster**

Quality upgradation and easy procurement of raw materials turned out to be the two most important benefits of operating in the Nashik cluster. These were followed by cost effectiveness, marketing initiatives, and better infrastructure. Export promotion related activity was ranked as the least beneficial in terms of operating in the cluster. Engineering companies displayed a similar trend with 31% and 25% of engineering companies giving highest ranks in terms of cluster benefit for easy procurement of raw materials and quality upgradation.

**Challenges faced by companies in the Nashik cluster**

Competition from other states emerged as the most significant challenge for the Nashik cluster. It was followed by increasing raw material prices and high cost of production. Currency volatility and challenging overseas market for exports turned out to be the least areas of concern for companies operating in the Nashik cluster. 44% of engineering companies cited competition from other states as the most significant challenge for them. For around one fourth of engineering firms increasing raw material prices was another area of major challenge.
Policy Initiatives
About 71% of the respondents in the survey believed that policy initiatives have played a role in developing the Nashik cluster. Around 63% of the respondents from the engineering industry believe the same.

Competitiveness
The survey revealed that in terms of competitiveness, around half of the respondents believed that Nashik cluster was very competitive compared with other cities/clusters in the state and the country. 47% of the companies also believed that the cluster is moderately competitive. Engineering firms were also very optimistic about the cluster’s competitiveness. 63% believed that Nashik cluster is very competitive, whereas the remaining 37% termed it as moderately competitive.

Investment Scenario
In terms of attracting investment, 53% of the respondents believed that Nashik was moderately successful. 19% believed that the cluster was highly successful, whereas the remaining 28% believe that the cluster was not all successful. 62% of engineering companies believed that Nashik cluster was moderately successful in terms of attracting investment.