**Abstract**

Cloud computing in Indian scenario has recently emerged as a new paradigm for hosting and delivering services over the Internet. Cloud computing is become attractive to small sized industries as it reduces the capital investment in IT over the year and to easily switch over the current technology. Also it eliminates the requirement for users to plan ahead for provisioning, and allows enterprises to start from the small and increase resources only when there is a rise in service demand. This paper deals with the advantages and limitations of cloud computing for small sized industries and discuss the suitable model of cloud computing. The aim of this paper is to provide a better understanding of challenges of cloud computing and identify important research directions in this increasingly important area