

National Conference on Financing Mechanism for Energy Efficiency Improvement in SMEs

Financing Schemes of SIDBI

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भारतीय लघु उद्योग विकास बैंक
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SIDBI – A Brief Profile

- **Constitution**

- Set up in 1990 – SIDBI Act
- Initially wholly owned subsidiary of Industrial Development Bank of India
- Act amended in 2000 – to broad base shareholding
- Shares held by 36 Government of India owned / controlled Banks, Insurance Companies and Financial Institutions

- **National Presence**

- 5 Zonal offices and 1 Regional office
- 100 Branches across all the states

- **Mandate**

- Promotion, financing and development of Small Scale Industrial Units [now Micro, Small and Medium Enterprises (MSMEs)] and to co-ordinate the functions of institutions serving the sector.

SIDBI : Sphere of Activities

- **Direct Finance:** Assistance to MSMEs, Service sector entities, Resource support to Non Banking Financial Companies / Other intermediaries, Infrastructure Projects, etc.
- **Indirect Finance :** Refinance / Support to Banks, State Financial Corporations, etc.
- **Micro Credit :** Pioneers in micro credit movement in the country. Developed several leading Micro Finance Institutions (MFIs). Assistance through MFIs
- **Promotion & Development :** Organises and supports initiatives for development of MSME sector (Entrepreneurship Development Programmes, Skill up gradation, Rural Industries Programme, etc.).
- **Associate Institutions:** SIDBI Venture Capital Ltd. (SVCL), SME Rating Agency of India Ltd. (SMERA), India SME Technology Services Ltd. (ISTSL), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) & India SME Asset Reconstruction Company Ltd. (ISARC)
- **Nodal Agency :** For Government of India schemes such as Credit Linked Capital Subsidy Scheme, Technology Upgradation Fund Scheme and Integrated Development of Leather Sector Scheme.

Financial Position of SIDBI

Rs. crore

Parameter [Year ended]	31-03-07	31-03-08	31-03-09
Paid-up capital	450	450	450
Reserve and Funds	4691	4810	5149
Outstanding Portfolio	16031	20227	30886
Total Income	1187	1638	2082
Net Profit	298	198	299
Sanction	11102	16164	29188
Disbursement	10225	15087	28298
Standard Assets as % NP	99.86	99.75	99.92
CRAR (%)	37.5	41.7	34.2



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An Overview of Indian MSME

- **MSE Sector Contribution to Indian Economy**
 - ✓ 40% of Industrial Production
 - ✓ 31% share of exports
 - ✓ More than 1000 products
- **Second largest sector after agriculture**
 - ✓ More than 13 million units
 - ✓ Largest employer after agriculture in India.
- **Accelerates the growth of Economy**
 - ✓ Recorded growth rate of 13% in FY 2008 (12.6% in FY 2007)
 - ✓ Growth higher than GDP & industrial growth

MSMEs drive the Indian Economy



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MSME Definition

Statutory Definition as per the Micro Small and Medium Enterprises Development Act, 2006 :

Enterprises	Manufacturing (Investment in P&M)	Services (Investment in Equipment)
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh
Small	Upto Rs.500 lakh	Upto Rs.200 lakh
Medium	Upto Rs.1000 lakh	Upto Rs.500 lakh

- **Service sector definition adopted by SIDBI on selective basis**

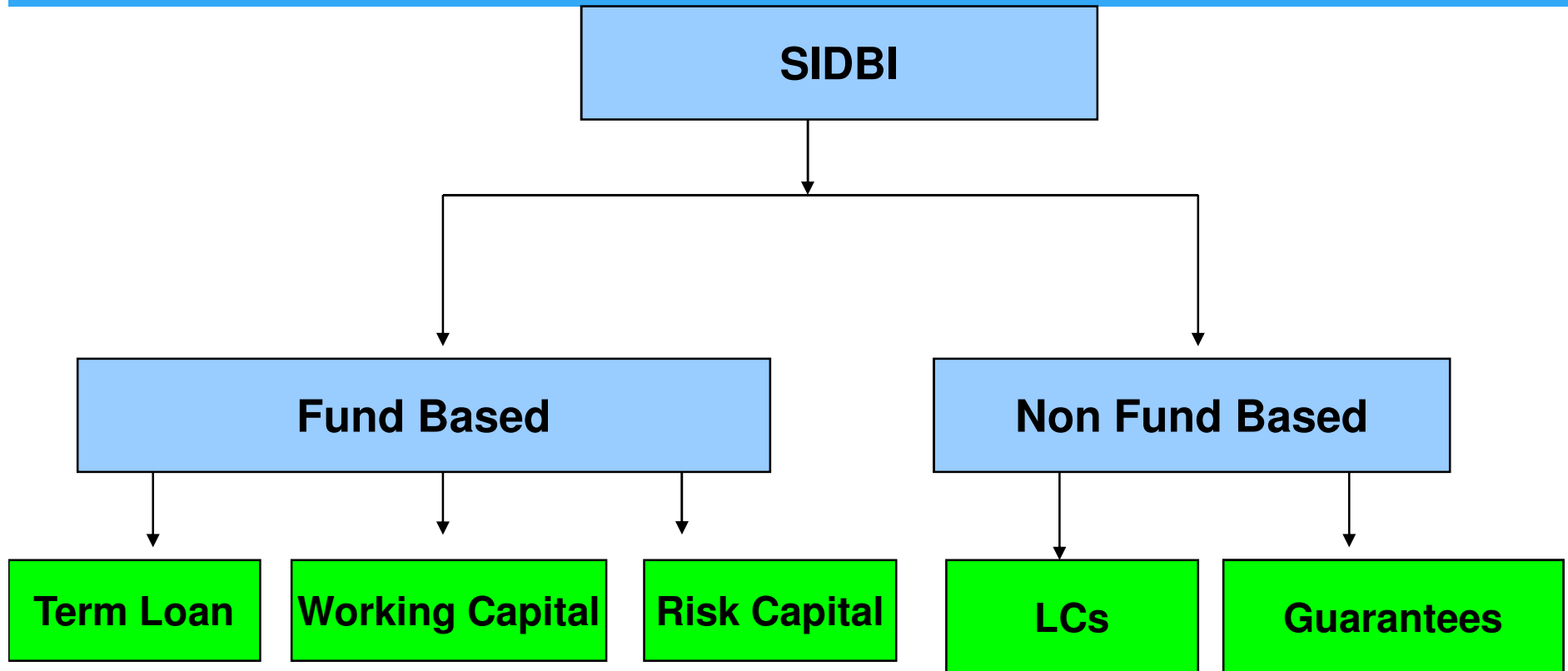
Total project cost within Rs.250 crore and maximum exposure (loan assistance) within Rs.50 crore (such as hotels, hospitals, etc.)



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Direct Credit Products



SIDBI's Assistance for EE Projects

- **SIDBI offers financial assistance to MSMEs for taking up EE investments under multilateral / bilateral Lines of Credit / Govt. of India incentive schemes, etc.**
- **Under Govt. of India Schemes (CLCSS, TUFS, IDLSS) SIDBI has sanctioned assistance of Rs.427 crore to MSMEs directly during last 3 FY.**
- **Under KfW Line of Credit, SIDBI provided assistance to MSMEs in textile processing, foundry, forging, ceramics, tanning, CETP for investing in energy efficient clean production technologies to the tune of Rs.103 crore.**
- **Recently SIDBI negotiated a LoC from JICA, Japan of JPY 30 billion for promoting EE projects in MSME sector.**
- **SIDBI has sanctioned Rs.192 crore under JICA Line directly till August 2009.**
- **Under JICA Line SIDBI is also providing refinance facility to banks at concessional rates to encourage them to lend for EE projects in MSM sector.**

Scheme for Energy Saving Projects in MSME Sector

Form of Assistance	Rupee Term Loan
Minimum Assistance	Rs.10 lakh
Promoters' Contribution	Minimum 25% for existing unit and 33% for new units
Debt Equity Ratio	Maximum 2 : 1 for unit as a whole
Interest Rate	Fixed rate : 9.5 - 10% p.a. payable monthly Floating Rate : PLR-1.25 (i.e. 9.75%) to PLR – 0.5 (i.e. 10.50%) payable monthly (PLR = 11% p.a. at present)
Upfront fee	1% of sanctioned loan plus service tax
Security	For loans upto Rs.100 lakh : Charge on machinery and coverage under CGTMSE Scheme [for Micro and Small Enterprises]. First charge over assets acquired and collateral security, as may be deemed necessary.
Asset coverage	Minimum 1.4 for new unit and 1.3 for existing unit
Repayment period	Need based. Normally, does not exceed 7 years.
Any other incentive	CLCSS or any other Government Scheme benefit as per eligibility.

SIDBI : Highlights of Government Sponsored Schemes

- **Credit Linked Capital Subsidy Scheme (CLCSS)**: 15% capital subsidy [of cost of eligible plant and machinery / equipment] for adoption of proven technologies for approved products / sub-sectors for MSE units subject to ceiling of Rs.15 lakh.
- **Technology Upgradation Fund Scheme (TUFS)**: Interest subsidy and / or capital subsidy for Textile and Jute Industry.
- **Integrated Development of Leather Sector Scheme** : GoI provides investment grant upto 30% of cost of plant & machinery for SSIs and 20% for non SSIs subject to ceiling of Rs.50 lakh for technology upgradation / modernization / expansion / new unit. Limit of Rs.2 crore per product line per unit. Grant calculated @20% for amount beyond Rs.50 lakh.
- **Food Processing Industries** : Grant of 25% of cost of new plant & machinery and technical civil works subject to maximum of Rs.50 lakh for general areas and 33% (maximum of Rs.75 lakh) in difficult areas.

Illustrative Cases

Particulars	Case 1 [Gen Engg]	Case 2 [Garment / Dyeing]
Unit Status	Existing Small Enterprise	
Scheme of Coverage	CLCSS of GoI and SIDBI's Energy Saving Equipment Finance	TUFS of GoI and SIDBI's Energy Saving Equipment Finance
Eligible M/c Cost under both GoI & SIDBI's Scheme	Rs.100 lakh	Rs.200 lakh
Minimum Margin	Rs.25 lakh	Rs.40 lakh [for TUFS]
Max. Loan Amt.	Rs.75 lakh	Rs.160 lakh
Debt Equity	To be within 2 : 1 for unit as a whole	
Interest Rate	As per internal rating, say 10% p.a.	
Max. benefit available	Credit Linked Capital Subsidy @15% upto Rs.15 lakh	Interest subsidy of 5% & capital subsidy @10% of upto Rs.20 lakh
<p>Note : Above are illustrative cases for purchase of equipment by existing small enterprises eligible under both CLCSS or TUFS and SIDBI's Scheme. Actual benefit would vary from case to case as per GoI / SIDBI guidelines.</p>		

Credit Guarantee Scheme

Promoted by	Set up by Govt. of India/ SIDBI		
Basic Objective	To facilitate Collateral Free Lending for Loans upto Rs.100 lakh to Micro and Small Enterprises [manufacturing and services, excluding Retail Trade].		
Guarantee Fee	Initial Guarantee Fee @ 1.5% of the amount guaranteed Annual Service Fee @0.75% of the amount guaranteed		
Loan Amount Guaranteed	Upto Rs.100 lakh per unit		
Extent of Cover	Upto Rs.5 lakh	Above Rs.5 lakh upto Rs.50 lakh	Above Rs.50 lakh upto Rs.100 lakh
Micro Enterprises	85% subject to max Rs.4.25 lakh	75% subject to max Rs.37.50 lakh	Rs.37.5 lakh plus 50% of amount in default above Rs.50 lakh with overall ceiling of Rs.62.50 lakh
Women entrepreneurs/ Units located in NE	40% / subject to a max. Rs.40 lakh		Rs.40 lakh plus 50% of amount above Rs.50 lakh with overall ceiling of Rs.62.50 lakh
All other category of borrowers	75% of the amount in default subject to a maximum of Rs.37.50 lakh		Rs.37.50 lakh plus 50% of amount above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh

Details of Eligible Energy Efficient Equipment / Equipment Eligible under Govt Sponsored Schemes

- **Credit Linked Capital Subsidy Scheme : As per guidelines of GoI. Detailed booklet and supplements thereto available.**
- **TUFS : As per Guidelines of Ministry of Textiles, GoI. Website : www.txcindia.com may be referred to.**
- **IDLS : Available on websites of FDDI / CLRI.**
- **Food Processing : As per guidelines of Ministry of Food Processing Industries, GoI.**
- **For Assistance by way of Term Loan from SIDBI : Available on SIDBI's website : www.sidbi.in. The list is being regularly reviewed and eligible technologies / equipments are being added.**
- **While the schemes have separate eligibility criteria, there are several common criteria and units meeting criteria of applicable GoI Scheme and SIDBI's Scheme can benefit significantly as illustrated earlier.**

Processing of Applications

- **Primary Documents Required :**
 - **Application Form**
 - **Know Your Customer[KYC] documents.**
 - **Statutory Returns for Borrower / Promoters**
 - **Constitutional Documents of the Unit.**
 - **Audited Financials [3 years] of Borrower/ Assoc. Concerns.**
 - **Project specific information.**
 - **Clearances and Approvals for the Unit.**
 - **Financial Projections/ Viability of Project.**
- **Targetted Time Frame :** 15 working days of completed application for loans under CART Module [existing units with cash profits in last 3 years, with Loan amount upto Rs.200 lakh].



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SIDBI : Risk Capital for SMEs

- **Objective** : Equity /Sub Debt support to well run SMEs for scale up of operations
- **Eligibility** -
 - (i) Company eligible under SIDBI schemes having good potential for scale up of operations and following / Willing to adopt corporate structure
 - (ii) Existing customers of SIDBI or commercial banks or willing to avail debt from SIDBI
- **Sectoral Coverage** – Focus on Auto components, engineering, pharma, textiles, software, IT / IT enabled services, EoUs
- **Deal Size** – Generally in the range of Rs.25 lakh to Rs.5 crore. Subordinated debt upto 33% of post project tangible networth of the enterprise.
- **Purpose** –
 - Expansion, modernisation and diversification
 - New Businesses, preferably in the same line
 - Marketing, R&D, Product Development Expenses
 - Working Capital Requirement
 - Acquisitions in India and abroad
 - Any other expenditure required for growth of the company
- **Instruments** : Equity capital or Equity linked Instruments and Subordinated Debt
- **Security** : Generally unsecured. Personal Guarantees of promoters for debt products.
- **Investment Tenure** : Horizon of about 7 years. Moratorium upto 4 years for principal repayment in respect of debt products.
- **Exit** : Trade sale or listing / Buyback / Repayment from Project Cash Flows



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Thank You

