

We inspire **growth** in small and medium enterprises

We unlock new **financial possibilities**

Let us work towards **progress**

We are **SIDBI**

If finance is what small and medium enterprises need, we make it available. Let us empower you. Let us help you expand, diversify and even rehabilitate. We also interface with NGOs involved in micro lending, as well as donor agencies engaged in the development of SMEs. We support entrepreneurs both in manufacturing and service industries. Call us today and let us help you grow.

**We empower Small & Medium Enterprises**



For more information call: **Hyderabad.** Mr. A. Chandramouli Tel.: 040 - 23234454/23231344.

[www.sidbi.com](http://www.sidbi.com)

5<sup>th</sup> National Convention  
on  
“Skill Development  
Opportunities and Challenges”

5<sup>th</sup> March, 2009

At

Don Bosco, Okhla, New Delhi

Presentation by K.G.Alai,  
General Manager In Charge, SIDBI,NZO,  
Delhi

# Performance of MSME sector

- Contribution to GDP – 8%
- Manufacturing output – 39%
- Exports – 31.2%
- Employment – 32 million persons
- No of units – 13.4 million
- Net bank credit – Rs 1317705 crore  
( as on 31.03.07)

## SMEs - Classification as per MSMED ACT 2006

Manufacturing enterprises defined in terms of investment in Machinery and Equipment (excluding land and building) classified into

- a. Micro enterprises - investment upto Rs 25 lakhs,
- b. Small enterprises - investment above Rs 25 lakhs and upto Rs 5 crore
- c. Medium enterprises - Investment above Rs 5 crores and upto Rs 10 crores

## MSMEs - Classification as per MSMED ACT 2006

Service enterprises defined in terms of their investment in equipment (excluding land and building) classified into

- Micro enterprises-investment upto Rs 10 lakhs
- Small enterprises-investment above Rs 10 lakhs and upto Rs 2 crore
- Medium enterprises-investment above Rs 2 crores and upto Rs 5 crores

# SIDBI - Background

- ❑ **Established in 1990 under an Act of Indian Parliament.**
- ❑ **Objective: Promotion, Financing & Development of MSMEs and Co-ordinating Functions of institutions engaged in similar activities.**
- ❑ **Ownership : Public sector banks/FIs/Insurance Cos owned or controlled by the Government of India.**
- ❑ **Structural Linkage: With Ministry of Finance and Ministry of SSI.**
- ❑ **Nodal Agency : For SME Schemes of Gol.**

# Financial Position of SIDBI

(Rs. crore)

Parameter	31-03-06	31-03-07	31-03-08
Paid-up capital	450	450	450
Reserve and Funds	4516	4691	4396
Total Income	974	1198	1650
Net Profit	276	303	204
Outstanding Portfolio	13890	16031	20279
Sanction	11975	11102	16151
Disbursement	9100	10225	15072
Standard Assets as % NP	98.1	99.86	99.75
CRAR (%)	43.2	37.5	41.7

# SIDBI : Sphere of activities

- **Direct Finance Operations** : MSMEs, Service sector, Infrastructure, etc.
- **Indirect Finance** : Resource support to Banks, NBFCs, SFCs, other State & central financing/ development agencies.
- **Micro Credit operations** : Pioneers in micro credit movement in the country. Developed several leading MFIs.
- **Associate Institutions** : SIDBI Venture Capital Ltd, MSME Rating Agency, ISTSL & Credit Guarantee Fund, India SME Asset Reconstruction Company Ltd.
- **Nodal Agency** : For several GoI schemes like TUFS, CLCSS and IDLSS, Food Processing and Devp. Of Integrated Infrastructure Development (IID) Projects.

# SIDBI : Focus Segments

- **Manufacturing**

**Micro** : Invst. in plant & machinery upto Rs.25 lacs.

**Small** : Gross Machinery Investment upto Rs 5 crore.

**Medium** : Gross Machinery Invst.  $\leq$  Rs 10 crore

- **Service sector**

Healthcare, Hospitality, leisure, entertainment, IT/IT enabled businesses, etc. (Project cost limit upto Rs 250 crore)

- **Infrastructure sector**

Power, Roads, Ports, Telecom, MSME infrastructure, etc.

# SIDBI : Direct Schemes for MSME segment

## A. Term Loans for MSME units and Service sector entities

### Eligible projects :

- New projects; expansion / modernisation / diversification projects, marketing requirements, working capital margin, etc. of well run MSME units.
- land acquisition and construction of factory building with or without additional plant and machinery, for **units relocating to industrial areas**.

**Assistance** : Need based

**Interest** : Competitive (PLR -1 to + 2.5) – depending on the rating of the customer – Current PLR – 12.5%

**Security** : Flexible, including collateral free lending for loans upto Rs.50 lakh under CGTMSE (limit has since been increased to Rs.100 lakh).

**Other Benefits** : Dovetailing with GoI sponsored schemes such as CLCSS, TUFS, IDLSS and Food Processing subsidy based on eligibility.

- **A. Existing customers having good track record**

- **Privileged Customer Scheme**

- For existing well performing customers – upto Rs.50 lakh (for meeting unforeseen/emergent and bonafide business expenditure) with Simplified documentation / procedure.

- **Top up loan scheme**

- For meeting regular expansion / project related needs – simplified application form and other appraisal procedure

- **Equity assistance for major expansion / diversification**

- **Adhoc assistance** – To overcome the current liquidity issue/slowdown in the economy – 15% of the earlier loan sanctioned or Rs.50 lakh whichever is less. The loan disbursement would be done through fast track mechanism. All customers having track record of two years, and are standard assets would be eligible.

# SIDBI : Direct Schemes for MSME segment

## B. Main Benefits under Govt. sponsored schemes :

**Credit Linked Capital Subsidy Scheme (CLCSS)**: 15% capital subsidy for adoption of proven technologies for approved products / sub-sectors. Subsidy limited to 15% of the purchase price (basic price) of plant & machinery with a ceiling on loan under the Scheme of Rs.1 crore. *(4027 units assisted with Rs.145 crore).*

**Technology Upgradation Fund Scheme (TUFS)**: Interest subsidy of 5% or upfront capital subsidy of 15% under CLCS - TUFS. For processing units additional 10% capital subsidy on eligible machinery. *(7362 units services for an amount of Rs.318 crore)*

# SIDBI : Direct Schemes for MSME segment

**Integrated Development of Leather Sector Scheme** : Scheme for existing units in leather and leather products. GoI provides grant upto 30% of cost of plant and machinery for SSIs and 20% for non SSIs subject to a ceiling of Rs.50 lakh. *(517 units assisted with investment grants of Rs.570 crore).*

**Food Processing Industries** : Scheme for new units as well as existing units undertaking modernisation / expansion with eligible machinery. 25% of the cost of eligible plant & machinery and technical civil works with a cap of Rs.50 lakh. Higher subsidy is available to units being set up in difficult areas e.g. J&K, HP, North East, Uttarakhand, etc. The limit is 33% of the cost of plant & machinery and technical civil work with a cap of Rs.75 lakh.

# SIDBI : Direct Schemes for MSME segment

## Scheme for Energy saving in MSME Sector

(JICA – Line of credit)

- To fund new and improved technologies and processes for energy saving.
- New as well as existing MSME units proposes to install equipments, changing the process and directly associated activities.
- The list of equipment will be revised/updated by Winrock International India duly appointed by JICA
  - Min. loan amount Rs.10 lakh
  - Intt. Rate – 11% fixed.
  - Asset coverage – Lower than the normal funding
  - Repayment period – upto 7 years.
- Energy efficiency project on registration under CDM also eligible for CERs.
- Funding available through refinancing agencies which include select commercial banks and NBFCs.

# SIDBI : Direct Schemes for MSME segment

## C. Receivable finance scheme (RFS):

Discounting of bills arising out of sale of components/intermediates manufactured by MSME to large / medium scale units.

### Eligibility -

#### *(i) Purchasers wise limit : The purchaser should*

- have been in commercial production for five years.
- be a corporate entity with good track record & no statutory arrears / defaults.

#### *(ii) Sellers wise limit / Invoice discounting facility also available*

Clean Limit to Large Corporations with good track record and sound financial position can be considered.

## D. Invoice Discounting Scheme :

Market friendly receivable management scheme (without bills of exchange) for SME sellers / service providers to established Corporates

## E. Assistance against future lease rentals of movable assets

## **E. Working Capital : Under MoU with IDBI Bank**

**Objective** : Meeting working capital requirements of SMEs and service sector units

**Eligibility** - All new or existing SME and service sector units and Government recognised Export / Trading Houses

### **Eligibility Parameters** –

Eligible SME or service sector units

TOL / TNW not to exceed 4 : 1

Current Ratio – 1.33 : 1

Minimum Interest Coverage of 1.5 times

Margin on stock / WIP / Finished Goods / Receivables, etc. : 30%

Rate of Interest : as per Credit Rating; Floating Rate linked to PLR

Processing Fee :

0.50% of the limit sanctioned

0.25% of the limit at the time of each renewal

# SIDBI : Direct Schemes for MSME segment

## E. Fee based services

### Guarantee Scheme:

Both Financial and Performance Guarantee and Deferred Payment Guarantee

#### Eligibility -

- (i) Existing customers of SIDBI in MSE sector and eligible service sector units with track record
  - (ii) New customers in need of both fund based and non fund based limits
  - (iii) Stand alone facility (i.e. without debt) not to be considered
- Medium Scale Units as of now are not eligible.

### Letter of credit

SIDBI opens letter of credit for import of capital equipment units as well as for import of raw material for its customers under MSE sector

# SIDBI : Direct Schemes for MSME segment

## F. Equity Assistance Scheme:

- Objective : To provide equity support to well run MSMEs to enable them to scale up their 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 willing to avail debt from SIDBI
  - Sectoral Coverage – Focus on Auto components, engineering, pharma, textiles, software, IT / IT enabled services, EoUs
- Deal Size – Generally upto Rs.5-10 crore

# SIDBI : Direct Schemes for MSME segment

## F. Equity Assistance Scheme (contd):

### 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 – Conv Pref Shares or Conv Debt.

Investment Tenure : Horizon of about 5 years

Exit : Trade sale or listing / Buyback

# SIDBI : USP for MSME segment

- **Competitive rate of Interest** : Market maker for MSME segment.
- **Flexible approach** for key aspects like security, financial parameters, based on unit standing.
- **Simple Business processes** : Credit Appraisal & Rating Tool (CART). SIDBI appraisal techniques recognised across the banking sector. Loans up to Rs 2 crore to be appraised on this tool.
- **Fast Track Schemes for existing regular accounts** – Privileged Customer Scheme, Top up assistance.
- **Quick Decision making** : Effective integration of technology.
- **Qualified & professional** manpower

# Micro Credit

## An instrument of Financial Inclusion

- Delivery of micro credit to the rural poor is one of the thrust areas of SIDBI.
- Objective is to create a national network of strong, viable and sustainable MFIs to provide micro finance services to poor, especially women.
- O/s as of now – Rs.1100 crore
- Target for Fy 09 – Rs.1600 crore
- Assistance provided to more than 5 mn beneficiaries (mainly women).
- Equity support – Rs.5.7 crore (as on 31/03/2008)
- Capacity building grant – Rs.12.2 crore (as on 31/03/2008).

# SMERA

- India's first **dedicated rating agency** for SME segment.
- Joint initiative of **SIDBI, Dun & Bradstreet and CIBIL** along with leading PSU, Private and foreign Banks.
- Rating cost substantially reduced in case of coverage of eligible SSI units under NSIC Subsidy Scheme
- Already done > than 2350 ratings.
- Incentives for SMERA Rating for SIDBI's Customers
  - Nominal Rating fees.
  - Reduction in rate of interest by 0.50% p.a. on existing loans if the customer is rated in the first three grades
  - Would facilitate approval of applications for fresh loans in future

[www.smera.in](http://www.smera.in)

# Credit Guarantee Scheme of CGTMSE - Main Features

- Facilitates availment of credit by MSE and units in IT based activities from banking channel.
- Maximum loan guaranteed is Rs. 50 lakh per unit (already increased to Rs.100 lakh recently).
- Guarantee cover upto 75% of loan amount, i.e. Rs.37.50 lakh per borrower (80% for loans upto Rs 5 lakhs advanced to micro enterprises/women entrepreneurs and units in North East). For loans upto Rs.5 lakh and , fee and annual service fee reduced to 1% and 0.5% respectively.
- Swift and simple settlement process fully backed by IT.
- Guarantee issued – > 124000 Amount guaranteed – Rs.3820 crore

[www.cgtsi.org.in](http://www.cgtsi.org.in)

# ISTSL - Main Features

- Setup in December 2005 for rendering professional services for technology transfer, JVs, business collaborations, finance syndication
- Processed 8828 enquiries
- Emphasis on networking, forged alliances with various govt/ international agencies.
- Aggressively acting as a bundler of CERs for SME sector

# SVCL

- AMC established in 1999 for managing venture capital funds
- Currently manages two SEBI regd VC funds - NFSIT and SGF
- NFSIT – 100 crore corpus - live till Aug 2011 – fully committed
- SGF – 8 year close ended VCF – setup in 2004 – corpus Rs 500 crore – Rs 429 crore already committed

# New Initiatives Planned

- Setting up a Stock Exchange - Exclusively for MSMEs in partnership with experienced players
- ARC for MSME
- Risk Capital Fund – Corpus Rs 2000 crore.
- Refinance enhancement facility – Rs.2000 crore
- Shortfall in priority sector lending by banks – Rs.2000 crore
- Recent support from RBI to be used in incremental assistance to MSME sector (after 30/09/2008) – Rs.7000 crore.
- JICA line of credit.

# Thank You