



# Orientation Programme on Credit linked Capital Subsidy Scheme

Presentation by  
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## MISSION of SIDBI

"To empower the Micro, Small and Medium Enterprises (MSME) for economic growth, employment generation and balanced regional development of our country."



## Indian MSME Sector - MSMED Act, 2006

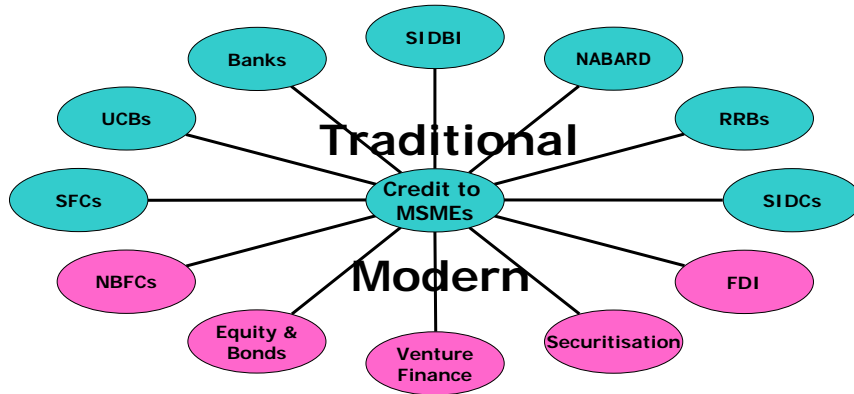
Concept of 'Enterprises' as against 'Industries'  
Change of definition

Particulars	Manufacturing (Investment in P&M) (Rupees)	Services (Investment in Equipment) (Rupees)
Micro Enterprises	Up to 25 lakh	Up to 10 lakh
Small Enterprises	Above 25 lakh and up to 5 crore	Above 10 lakh and up to 2 crore
Medium Enterprises	Above 5 crore and up to 10 crore	Above 2 crore and up to 5 crore

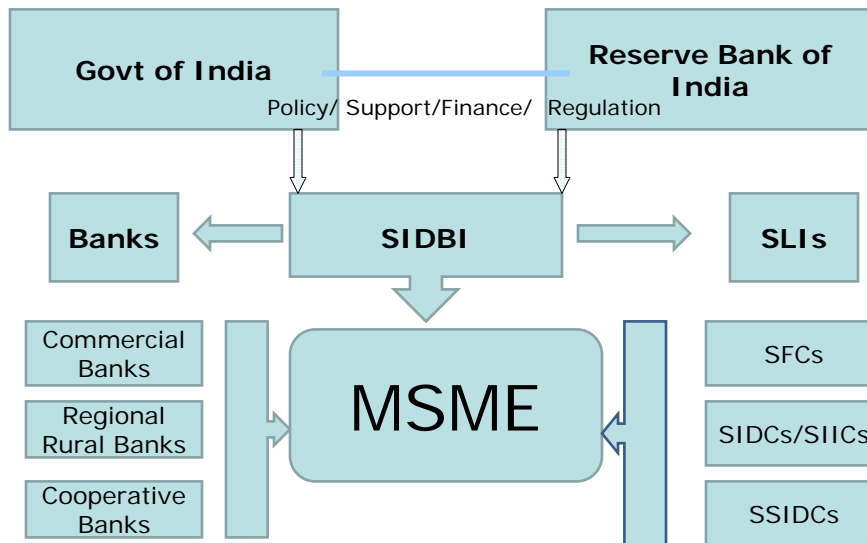
## MSMEs-Backbone of Indian Economy

- Constitutes more than 90% of total units (134 lakh)
- More than 8000 products
- MSEs Contribute about 45% of manufacturing
- Contributes around 35% of direct exports.
- Second largest source of employment, after agriculture (>340 lakh)

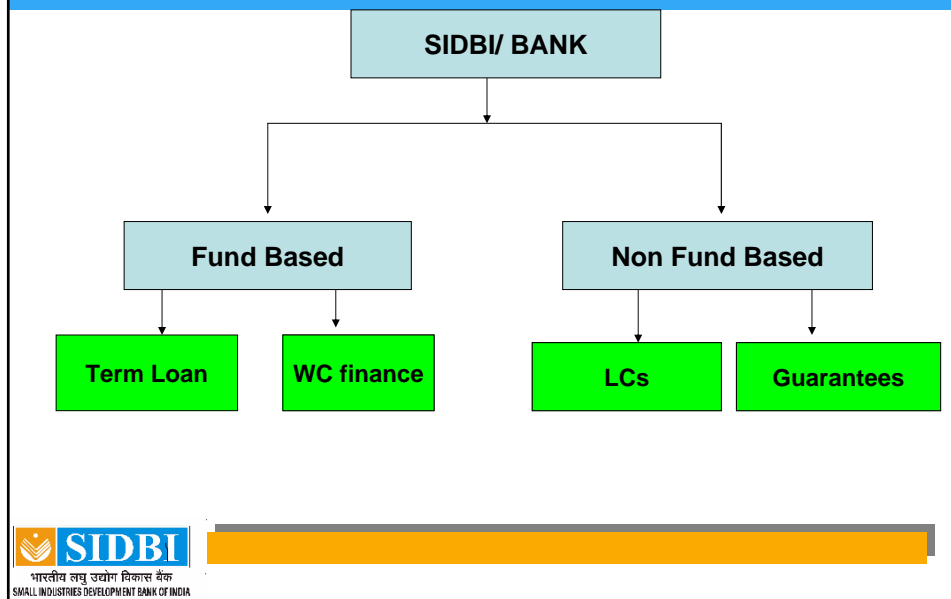
## Indian MSME Sector - Sources of Formal Finance



## Indian MSME Sector – Support Structure



## Traditional Credit Products



## SIDBI - Products & Services

- **SIDBI products & services are broadly grouped into three groups**
  - (i) Indirect Assistance**
  - (ii) Direct Assistance**
  - (iii) Development & Support Services**

## Direct Credit Scheme

<b>Purpose</b>	New unit/ Expansion/ Modernisation WC/ Marketing/ R&D
<b>Form of assistance</b>	Term Loan
<b>Tenure</b>	Upto 8 years
<b>Interest rate</b>	Based on Risk Rating [PLR – 0.25 % to PLR +1.75%] PLR = 11%
<b>DER</b>	Generally less than 2 : 1
<b>DSCR</b>	Generally more than 1.5:1
<b>Asset Coverage</b>	1.3 for existing units and 1.4 for new units

## Retail Credit Schemes

### Fund based Schemes

- Direct Credit Scheme
- Receivable Finance /Invoice Discounting Scheme
- Working Capital Scheme
- Scheme for Construction sector
- Privileged Customer Scheme
- Risk Capital scheme

### Non fund based schemes

- Guarantee Scheme
- Letters of Credit

## Receivable Finance Scheme

<b>Purpose</b>	Assistance against supplies made by SME vendors to large Corporate
<b>Eligible SME vendors</b>	Manufacturing units/ Service providers/ Transporters/ IT vendors
<b>Form of assistance</b>	Discounting of Bills of Exchange accepted by purchasers
<b>Eligibility of Purchaser</b>	<ul style="list-style-type: none"> <li>•Minimum Net worth : Rs 6 crore</li> <li>•Minimum Turnover : Rs 30 crore</li> <li>•Minimum Net worth : Rs 300 crore</li> <li>•Minimum Turnover : Rs 100 crore (without collateral security)</li> <li>• Profit /dividend paying track record</li> </ul>
<b>Security</b>	Need based
<b>Tenure</b>	Upto 120 days



## Direct Risk Capital Scheme for MSMEs

<b>Purpose</b>	To provide risk capital to deserving MSMEs for their growth where available promoters funds and bank loans are not sufficient .
<b>Eligible Customers</b>	Units planning to avail debt assistance from SIDBI along with risk capital Satisfactory rating
<b>Form of assistance</b>	<ul style="list-style-type: none"> <li>•Mezzanine instruments(OCCPS, OCDS, OCSD, Subordinated Debt)</li> <li>•Equity Capital</li> </ul>
<b>Purpose</b>	For Scaling up expansion/modernization/ diversification
<b>Deal size</b>	Rs.1 Crore to Rs.10 Crore
<b>Tenure</b>	Upto 7 years



## SIDBI

### - Purveyor of Government Schemes

- **Credit Linked Capital Subsidy for Technology Upgradation of MSEs**
- **TUFs for Textiles**
- **Integrated Development of Leather Sector Scheme**
- **Scheme of Technology Upgradation of Food Processing Industry**



## CLCSS - Objective

- For facilitating technology upgradation by providing 15 per cent upfront capital subsidy with effect from the 29th September, 2005 (12 per cent prior to 29.09.2005) to SSI units on institutional finance availed of by them for induction of well established and improved technologies in the specified sub-sectors / products approved under the scheme.



## SCOPE OF THE SCHEME

The scheme would cover the following technology needs / products/sub – sectors

- (i) Bio-tech Industry
  - (ii) Drugs and Pharmaceuticals
- And 43 other Industries

## NODAL AGENCIES

Sl. No.	Name of Bank/Agencies
1.	<b>Small Industries Development Bank of India</b>
2.	<b>NABARD</b>
3.	State Bank of India
4.	Canara Bank
5.	Bank of Baroda
6.	Punjab National Bank
7.	Bank of India
8.	Andhra Bank
9.	State Bank of Bikaner & Jaipur
10.	Tamil Nadu Industrial Investment Corporation
11.	The National Small Industries Corporation Ltd.

### Eligible Primary Lending Institutions (PLI)

All Scheduled Commercial Banks , Scheduled Cooperative Banks, Regional Rural Banks (RRBs), State Financial Corporations (SFCs) and North Eastern Development Financial Institution (NEDFi) are eligible as PLI under this scheme after they execute a General Agreement (GA) with any of the nodal agencies, i.e., the Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD) etc.



### Eligible Beneficiaries

- The eligible beneficiaries include sole Proprietorships, Partnerships, Co-operative societies, Private and Public limited companies in the SSI sector. Priority shall be given to Women entrepreneurs.



## Types of units to be covered under the Scheme

- i) Existing SSI units registered with the State Directorate of Industries, which upgrade their existing plant and machinery with the state-of-the-art technology, with or without expansion.
- ii) New SSI units which are registered with the State Directorate of Industries and which have set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB/TSC.

## Eligibility Criteria

- Capital subsidy at the revised rate of 15 per cent of the eligible investment in plant and machinery under the Scheme shall be available only for such projects, where terms loans have been sanctioned by the eligible PLI **on or after September 29, 2005**. Machinery purchased under Hire Purchase Scheme of the NSIC are also eligible for subsidy under this Scheme .
- Industry graduating from small scale to medium scale on account of sanction of additional loan under CLCSS shall be eligible for assistance.
- Labour intensive and/or export oriented new sectors/ activities will be considered for inclusion under the scheme.

## Definition of Technology Upgradation

- Technology upgradation would ordinarily mean induction of state-of-the-art or near state-of-the-art technology. In the varying mosaic of technology obtaining in more than 7500 products in the Indian small scale sector
- Technology upgradation would mean a significant step up from the present technology level to a substantially higher one involving improved productivity, and/or improvement in the quality of products and/or improved environmental conditions including work environment for the unit. It would also include installation of improved packaging techniques as well as anti-pollution measures and energy conservation machinery.
- Further, the units in need of introducing facilities for in-house testing and on-line quality control would qualify for assistance, as the same is a case of technology upgradation.

**Replacement of existing equipment/technology with the same equipment/technology will not qualify for subsidy under this scheme, nor would the scheme be applicable to units upgrading with second hand machinery.**

## Duration of the Scheme

- Presently, the scheme is in operation up to March 31, 2012.

## Ceiling on eligible loan amount and capital subsidy

- The maximum limit of eligible loan under the revised scheme is Rs. 100 lakh. Accordingly, the ceiling on subsidy would be Rs.15 lakh or 15 per cent of the investment in eligible plant and machinery, whichever is lower.
- (i) In calculating the value of plant & machinery, the following shall be excluded, namely :
  - the cost of equipments such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumable stores;
  - the cost of installation of plant & machinery;
  - the cost of research & development equipment and pollution control equipment ( except where these have been approved for specific product/sub sector by the GTAB ;

- the cost of generation sets and extra transformer installed by the undertaking as per the regulations of the State Electricity Board; (except where gas based generation sets have been approved for specific product/sub- sector by the GTAB).
- the bank charges and service charges paid to the National Small Industries Corporation Ltd or the State Small Industries Corporation;
- the cost involved in procurement or installation of cables, wiring, bus bars, electrical control panels (not those mounted on individual machines), oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant & machinery or for safety measures;
- the cost of gas producer plants ( except where these have been approved for specific product/sub sector by the GTAB ) ;
- transportation charges (excluding of sales-tax and excise) for indigenous machinery from the place of manufacturing to the site of the factory;
- charges paid for technical know-how for erection of plant & machinery;
- cost of such storage tanks which store raw materials, finished products only and are not linked with the manufacturing process; and
- cost of fire fighting equipment.

(ii) In the case of imported machinery, the following shall be included while calculating the value of plant & machinery, namely :-

- import duty (excluding miscellaneous expenses as transportation from the port to the site of the factory, demurrage paid at the port);
- the shipping charges;
- custom clearance charges; and
- sales tax.

## Other conditions for loans

- i) Promoters' contribution, security, debt-equity ratio, up-front fee, etc. will be determined by the lending agency as per its existing norms.
- ii) Units availing subsidy under the CLCSS shall not avail any other subsidy for technology upgradation from the Central/State/UT Government.

For details contact : [www.laghu-udyog.com](http://www.laghu-udyog.com)

## SIDBI Financing Scheme for Energy Savings Projects in MSME Sector

### Objective

- The Japan International Cooperation Agency (JICA) has extended a Line of Credit to SIDBI for financing Energy Saving projects in MSME Sector. The main objective of the scheme is to encourage MSME units to undertake energy saving investments in plant & machinery / production process to reduce energy consumption, enhance energy efficiency, reduce CO<sub>2</sub> emissions and improve the profitability in the long run.
- The financial assistance to MSMEs will be through SIDBI, as well as through refinance to banks / State Finance Corporations (SFCs) and Non Banking financial Companies (NBFCs).



## SIDBI Financing Scheme for Energy Savings Projects in MSME Sector (contd..)

### Eligibility Criteria for units (Direct Assistance)

- New / existing MSME units, as per the definition of MSMED Act. 2006. However, units graduating out of medium scale will not be eligible for assistance.
- Existing units should have satisfactory track record of past performance and sound financial position.
- Energy saving projects will be screened as per the Energy Saving list, which is available on SIDBI website.
- Units should have minimum investment grade rating of SIDBI.
- Sectors such as the arms industry, narcotics industry or any unlawful businesses are not eligible. Similarly, such projects which may result in larger negative social and environmental impact are also not eligible under this scheme.



## SIDBI Financing Scheme for Energy Saving Projects in MSME Sector - Financial Parameters

<b>Minimum Assistance</b>	Rs. 10 lakh
<b>Minimum promoters contribution</b>	25% for existing units 33% for new units
<b>Debt Equity Ratio</b>	Maximum 2.5:1
<b>Interest rate</b>	The interest rate is based on internal risk rating within the band given below: <ul style="list-style-type: none"> <li>• Fixed rate : 9.5 – 10% p.a.</li> <li>• Floating rate : 9.75 – 10.5% p.a.</li> </ul>
<b>Security</b>	First charge over assets acquired under the scheme; first/second charge over existing assets and collateral security as may be deemed necessary.

## SIDBI Financing Scheme for Energy Saving Projects in MSME Sector - Financial Parameters (contd..)

<b>Asset coverage</b>	Minimum Asset Coverage should be 1.4:1 for new units and 1.3:1 for existing units.
<b>Repayment period</b>	Need based. Normally, the repayment period does not exceed beyond 7 years. However, longer repayment period of more than 7 years can be considered under the Line if considered necessary.

## SIDBI – A ONE - STOP WINDOW

### I . Subsidiaries

- Venture Capital - SIDBI Venture Capital Ltd. (SVCL)

### II. Associates

- Credit Guarantee
  - Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
- Credit Rating
  - SME Rating Agency of India Ltd. (SMERA)
- Technology Transfer
  - India SME Technology Services Ltd. (ISTSL)
- Asset Reconstruction
  - India SME Asset Reconstruction Company Ltd. (ISARC)

### III Co-promoted Institutions

- Factoring Companies - Canbank Factors, SBI Factors
- NEDFi - Guwahati
- Indian Institute of Entrepreneurship - Guwahati



## Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Settled by  
**Ministry of MSME, GoI and SIDBI**

**Corpus Fund contribution in the ratio of  
4:1 from GOI & SIDBI**

**Present Corpus Rs.1737 crore**

**81 lending institutions registered  
as MLIs with CGTMSE**



## **Cardinal Principles**

- Lender should extend credit without any collateral / third party guarantee
- Borrower to avail credit from a single lending institution (an assisted unit of SFC / SIDBI/ NEDFi/ NSIC can, however, get bank finance and be covered under the scheme)
- Interest rate should be levied in accordance with the RBI or Government guidelines.

## **Credit Guarantee Scheme of CGTMSE – Main Features**

- Facilitates availment of credit by Micro and Small Enterprises and units engaged in IT based activities from formal banking channel.
- Maximum loan guaranteed by CGTMSE is Rs.100 lakh per unit . CGTMSE provides guarantee cover up to 75% of the amount in default subject to a maximum of Rs.62.50 lakh
- Guarantee Cover for loans upto Rs. 5 lakh enhanced to 85% of the loan amount to micro enterprises.
- Swift and simple settlement process.

## Eligible Institutions

- Scheduled Commercial Banks
- RRBs (Sustainable viable category)
- As approved by the Ministry of SSI, GoI (NSIC, NEDFi, SIDBI)

## Eligible units

**All types of firms / companies or other legally constituted bodies, individual borrowers, small businesses**

## Eligible Loans

- ✓ Both Term Loan and Working Capital can be covered.
- ✓ Working Capital can also be covered at the time of renewal.
- ✓ Existing units can be covered for additional loan, without extending earlier collaterals.
- ✓ Loans above Rs. 100 lakh can also be covered.
- ✓ Non-fund based activities also made eligible.

## Cost of Guarantee cover

- One time Guarantee fee of 1.5% of the credit facility sanctioned
- Annual Service fee of 0.75% of credit facility guaranteed
- Both Guarantee fee / service fee are collected from MLIs

## SIDBI : Operational Highlights

Particulars (Rs. Crore)	FY 2008	FY 2009	% Growth
Sanction	16164	29188	↑81%
Disbursement	15087	28298	↑88%
Resources Raised	5100	15800	↑210%
Total Income	1638	2082	↑27%
Profit before tax	336	829	↑147%
Net Profit	198	299	↑51%
Earning per share	4.41	6.65	↑51%
Net worth	4713	5342	↑13%
% of Gross NPA to outstanding portfolio	1.40	0.10	↓(89%)
% of Net NPA to net portfolio outstanding	0.25	0.08	↓(47%)

## International Development Partners

- Japan Bank for International Cooperation, Japan
- World Bank
- Kreditanstalt für Wiederaufbau (KfW), Germany
- Department for International Development (DFID), UK and
- International Fund for Agriculture Development (IFAD), Rome
- Asian Development Bank



## SIDBI Fixed Deposit Scheme

SIDBI is also accepting fixed deposits for tenures more than one year and upto five years.

Tenure (Months)	Existing rate * ( % p.a.)	Revised rate * ( % p.a.)
12-13	6.75	6.5
14-36	7.25	7
37-60	7.75	7.5

\* For senior citizens additional 50 bps may be allowed.

\* For staff members, additional 100 bps may be allowed.

\* For Bulk Deposits of Rs.1 crore and above, the applicable interest will be less by 100 bps.





Thank You