

## **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)**

**Lucknow (Uttar Pradesh)**

### **Unit Profile**

Set up on April 02, 1990 under an Act of Indian Parliament, SIDBI is the apex financial Institution for the promotion, financing and development of Micro, Small & Medium Enterprises (MSMEs) and for Co-ordination of the functions of the institutions engaged in similar activities in India.

SIDBI provides financial support to MSMEs by way of (a) refinance and resource support through eligible Primary Lending Institutions (PLIs), such as, Banks, State Financial Corporations (SFCs) and other intermediaries for onward lending to MSMEs, (b) direct assistance to MSMEs, with focus on niche areas like risk capital/equity, sustainable finance for promoting energy efficiency and cleaner production, receivable financing, service sector financing, etc. and (c) Micro Finance through MFIs. Direct finance support to MSMEs is channelised through the Bank's network of 80 branch offices located all over the country. This is done using a wide range of financial products as well as non-financial services.



SIDBI has also taken strategic initiatives for addressing various non-financial gaps for capacity building of the MSME sector, as well as the bankers. These include MSME advisory services, loan facilitation / syndication services to MSMEs to help them avail credit from banks / FIs, capacity building of smaller banks [Regional Rural Banks (RRBs), Co-operative banks], micro enterprises creation, cluster development, entrepreneurship and skill development, promoting innovation and incubation, etc. In addition to its direct and indirect operations, SIDBI also plays a nodal agency role in implementation of various schemes for MSME sector undertaken by the Government of India (GoI).

SIDBI is constantly working on building various institutional mechanisms to cater to the emerging needs of the MSME sector and has set up various subsidiaries / associates viz. SIDBI Venture Capital Limited (SVCL), Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), India SME Technology Services Limited

(ISTSL), SME Rating Agency of India Ltd. (SMERA), India SME Asset Reconstruction Company Ltd. (ISARC) and Micro Units Development & Refinance Agency Ltd. (MUDRA).

### **About MSME sector and Need for Sustainable Financing**

Micro, Small and Medium Enterprises (MSMEs) across the world, including India, are the vehicle for faster, sustainable and more inclusive growth. There are over 6000 products ranging from traditional to high-tech items. With 45 million enterprises, the MSME sector generates more than 100 million jobs – the second largest after agriculture. Contributes 45 per cent of total industrial manufacturing output and 40 per cent of India's total exports (directly & indirectly).



MSMEs are also regarded as the cradle for the Government's "Make in India" vision formulated recently. 'Zero Effect, Zero Defect' model shall handhold one million MSMEs over the next 3-5 years to deliver top quality products using clean technology.

The Indian MSME sector is facing high and rising energy costs, whereas export-oriented MSMEs are facing increased global competition. Many Indian MSMEs are energy-intensive, employing inefficient and outmoded technologies and operational modalities that endanger their competitiveness and future growth. The industrial sector offers a good opportunity to save 49 billion kWh of energy per year. It is estimated that about 48% of the total energy consumed in the industrial sector is from MSMEs and by adopting energy conservation measures, at least 25% of it could be potentially saved. MSMEs, especially those for whom energy costs represent a large portion of total production costs, can reap especially high direct economic benefits from improving efficiency of energy conversion and reduction of energy losses.

## Energy Conservation- SIDBI Initiatives



SIDBI has taken a number of initiatives to promote responsible business practices including sustainable financing, Energy Efficiency (EE) and Cleaner Production in the MSME sector through specialized loan products and other promotional activities.

SIDBI has been operating focused concessional lending schemes for EE out of Lines of Credit (LoC) from various multilateral agencies, viz. Japan International Cooperation Agency (JICA)

in three phases of JPY 30 billion each, Agence Française de Développement (AFD) – EUR 50 million and Kreditanstalt für Wiederaufbau (KfW) – EUR 50 million. SIDBI has contracted LoCs aggregating to an amount of EUR 53.74 million from KfW for promoting investment in cleaner production options in the MSME sector.

Besides credit, SIDBI is also engaged in the capacity building of the MSME sector with various awareness programmes on the benefits of adopting EE measures, identifying and documenting EE machineries, EE



technology transfers and various EE advisory services. Awareness workshops on EE have been conducted in more than 100 MSME industrial clusters. Since green/sustainable financing is relatively a new concept in the banking community, SIDBI, along with GIZ, Germany and World Bank, undertook 75 EE training programmes for bankers in different parts of the country. Around 7,000 commercial bankers have been benefitted.



SIDBI along-with Bureau of Energy Efficiency (BEE) is also implementing a World Bank – GEF project with a total grant amount of USD 11.30 million on Financing Energy Efficiency at MSMEs in five targeted MSME clusters (Faridabad, Pune, Kolhapur, Ankleshwar & Tirunelveli) in India to increase demand for Energy Efficiency loans by MSMEs in the cluster and to build their capacity to access commercial finance. More than 1100 walk-through energy audits and 650 detailed energy audits have been conducted. More than 600 Investment Grade Detailed Project Reports (IGDPRs) have been prepared and implementation of Energy Efficiency Measures is going on in more than 500 MSME units.

SIDBI has also launched the End-to-End Energy Efficiency Solutions (4E Solutions) for providing technical support to MSME clients to improve their energy savings by availing the services of Technical Consultant / Energy Services Companies (ESCOs) at a reasonable cost with assurance on the quality of services.

To kick-start ESCO market in India, SIDBI is implementing a World Bank supported "Partial Risk Sharing Facility for Energy Efficiency (PRSF) Projects" alongwith Energy Efficiency Services Limited. The Project has a total outlay of USD 43 million consisting of a Guarantee Fund corpus of USD 37 million and technical assistance of USD 6 million. Under the project, SIDBI shall guarantee the loans given by Banks to ESCO-implemented projects. The project is expected to provide credit guarantee to more than 500 ESCO implemented EE projects which would mobilize financing to the tune of US\$ 127 million. Further, the project is also expected to result into significant energy savings to the tune of 1000 GWh and mitigation of CO<sub>2</sub> emissions reductions to the tune of 0.734 million tons.

SIDBI has channelized a cumulative financial assistance of around Rs. 5900 crore for Energy Efficiency and Cleaner Production projects. More than 6000 MSMEs have been benefitted with an estimated annual electricity savings of around 1 billion kWh resulting into reduction of around 1 million tons of CO<sub>2</sub> annually. Details of energy savings achieved during the FY2015 under the various EE Projects being implemented by SIDBI are as under :

Annual Energy Saving Details for the Financial year ended March 31, 2015								
Sl. No	Financial Year	Name of Project	Sector	Location	Electricity (Million kWh)	Thermal Energy (Million kCal)*	Energy Savings in Electricity Terms (Million kWh)	Reduction in CO <sub>2</sub> emission (Kilo ons)#
1	2014-15	JICA-SIDBI MSME Energy Saving Project Phase-III	Energy Efficiency in MSME sector		27	23451	53	29
2	2014-15	KfW-SIDBI Energy Efficiency Line of Credit	Energy Efficiency in MSME sector	Pan India	39	-	39	32
3	2014-15	WB-GEF Project: Financing Energy Efficiency at MSMEs	Energy Efficiency in MSME sector	Pan India	15	59847	33	30
				<b>TOTAL</b>	<b>81</b>	<b>83298</b>	<b>125</b>	<b>91</b>

\* Avg CV of Thermal Fuel= 10000 kCal/kg, Sp. Energy Content (kWh/kg of thermal fuel)= 11 # Avg emission for thermal fuels has been considered as 3 tCO<sub>2</sub>/ton of thermal fuel.