

# SIDBI Initiative for promoting Energy Saving projects in MSME Sector



Sept 23, 2010  
New Delhi

# SIDBI - Background

- **Constitution**

- Set up in 1990 – SIDBI Act
- Paid-up – Rs. 450 Crore (USD 95.74 million)
- Shares held by 35 GoI owned/controlled Banks, Insurance Companies and FIs

- **Financials**

- Net worth of Rs.5612 Crore (USD 1194.04 millions)
- Profit making and dividend paying since inception
- Lines of Credit from Multilateral/Bilateral Institutions for MSME

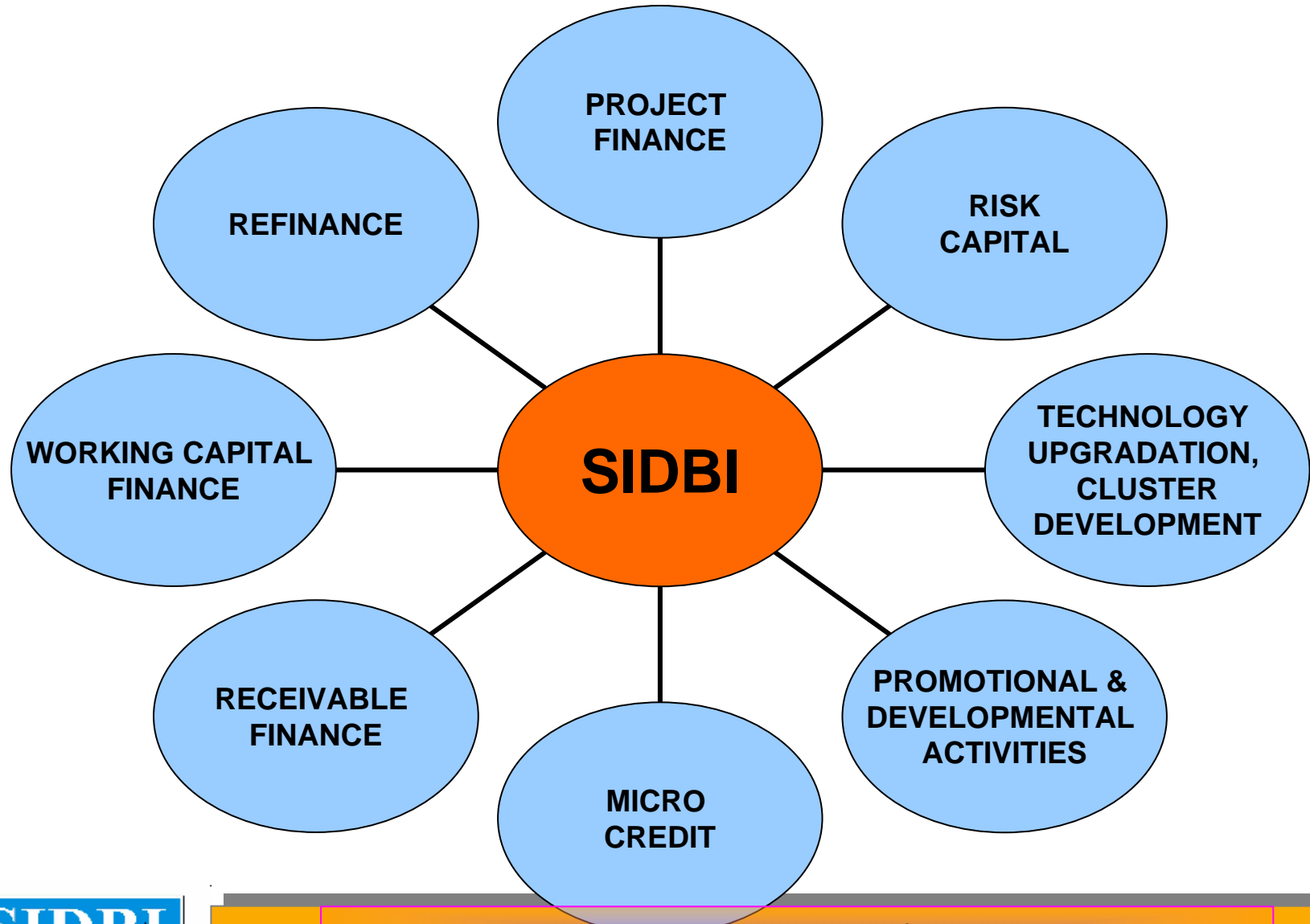
- **National Presence**

- 6 Zonal offices
- 103 Branches across all the states

- **Mandate**

- Promotion, financing and development of MSMEs and to co-ordinate the functions of institutions serving the sector.
- Nodal Agency for government of India Schemes.

# PRODUCTS & SERVICES



# SIDBI - Associates

- ▣ Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
- ▣ SME Rating Agency of India Ltd. (SMERA)
- ▣ SIDBI Venture Capital Ltd. (SVCL) (100% subsidiary)
- ▣ SIDBI Trusteeship Company Ltd (100% subsidiary)
- ▣ India SME Technology Services Ltd. (ISTSL)
- ▣ India SME Asset Reconstruction Co. Ltd. (ISARC)

## PART - 2

# Promoting Clean & Energy Efficiency Projects in MSME Clusters



# Approach to promotion of Energy Saving lending

- **MSMEs are in all major industries & spread across the country in clusters.**
- **Approach**
  - **Industry based approach** – identifying high energy intensive industrial sectors
  - **Cluster based approach** - identifying potential MSME clusters in high energy intensive sectors
- **Methodology adopted**
  - Study of technological level of MSMEs in identified industrial sector / cluster
  - Energy audit to benchmark the energy consumption for each sector/ cluster
  - Identifying energy saving potential in each sector / cluster.
  - Availability of equipments / technologies suitable for the sector.
  - Estimating capital expenditure on energy saving equipment / processes

# Major Initiatives of SIDBI

- EE financing
  - JICA (fully utilised)
  - KFW
  - AFD
- Partnering with Govt. of India
- MOU with BEE
- MSME financing & Development Project
- WB-GEF Project

# MOU with BEE

- SIDBI & BEE signed MoU on March 4, 2009
- To promote energy efficiency measures in 30 SME clusters.
- Provide support to consultants of BEE through trainings on preparation of bankable project reports.
- The MOU is expected to facilitate availability of finance to about 400 investment grade proposals for energy efficiency



# MSME financing & Development Project

- ❑ EE promotion in 18 MSME clusters
  - ❑ Awareness creation
    - ❑ 4 handbooks and a tip sheet and posters
    - ❑ seminars
  - ❑ Walk through audits
  - ❑ Detailed energy audits
  - ❑ Result documentation and demonstration
  
- ❑ During FY 2010, 108 walk-through audits and 25 detailed audits supported by the project.
  - ❑ Estimated savings of about Rs 55 mio per annum against project expenditure of about Rs 3.7 million
  - ❑ Implementing energy audit recommendations has not only helped to save energy but has also reduced maintenance costs as well as down time

# WB-GEF Project

- ❑ The World Bank in conjunction with SIDBI and BEE is implementing a new initiative on financing Energy Efficiency (EE) in MSME Industrial Clusters to improve EE and reduce Green House Gas (GHG) emissions from MSMEs utilizing increased commercial financing for EE.
- ❑ 5 clusters viz. Kolhapur, Pune, Tirunelveli, Ankaleswhwar and Faridabad in India were included through provision of assistance for completion of Energy Audits, preparation of DPRs and support in mobilization of financing
- ❑ Impacts of WB-GEF project on Energy Efficiency in SME World:
  - Increase in Energy Efficiency investments
  - About 500 investment grade proposals from MSME sector

# Implementation of the JICA ES Project

- Launched awareness campaigns in MSME clusters.
- Identified list of equipments / technologies for each sector.
- Introduced lending Scheme for promoting ES project in MSME sector.
- Circulated Scheme brochure through SIDBI branches, industry associations, BEE, business meet.
- Circulated technical brochure for each cluster in respective cluster.
- Created a separate Energy Efficiency Lending Cell for handling business operations and queries pertaining to energy saving projects.
- Launched a website exclusively for information dissemination for energy saving project in MSME sector. ([www.jica.org.in](http://www.jica.org.in))

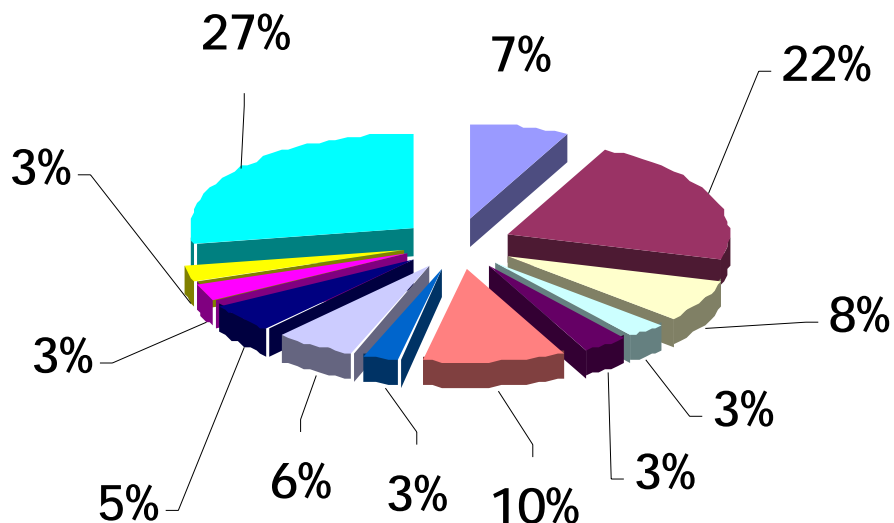


# EE Business at a glance (Rs. in mn.)

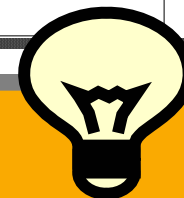
(As on July 31, 2010)

Sr.No.	Category	No.	Sanctioned Amnt	Disbursed Amnt
A.	Direct Credit (Retail)	2028	8836	7293
B.	Indirect Credit			
i)	State Financial Corporations (SFCs)	886	1950	1950
ii)	Bank	525	4250	4250
iii)	NBFCs (IREDA)	25	2000	2000
	<b>TOTAL</b>	<b>3464</b>	<b>17036</b>	<b>15493</b>

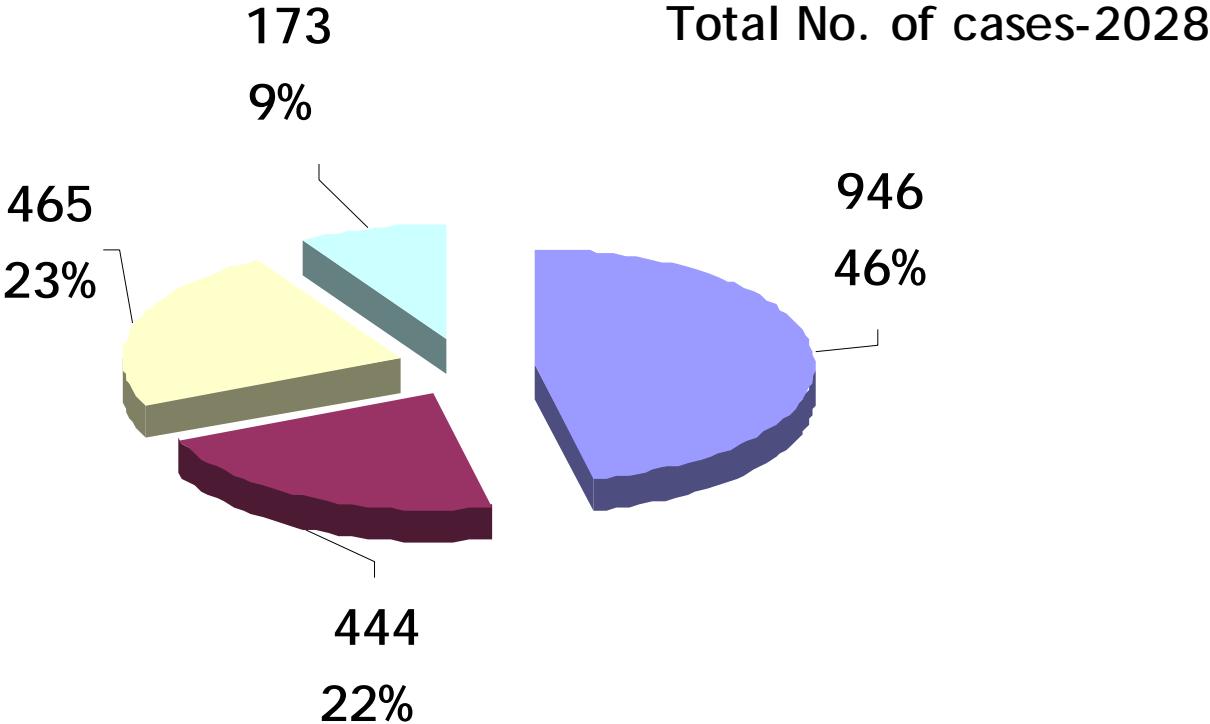
# Direct Business-Sectoral Distribution



- Machine Tools/ Machinery
- Auto
- Ceramics
- Electricals and Electronics
- Plastic
- Transport
- Textiles
- Food Processing Chemicals
- Metals
- Iron and Steel
- Packaging
- Others



# EE Direct Business –Loan Size distribution



- upto Rs.1 mn
- >Rs. 1 mn to <= Rs.2.5 mn.
- > Rs.2.5 mn to <= Rs.10 mn
- > Rs.10 mn

# Partners in promoting clean & EE lending

- ⑩ **Mumbai Taxidrivers' Associations** – More than 800 taxi drivers in Mumbai were provided collateral free micro loans to phase out their old taxis under a structured arrangement with Taxidrivers Associations and Maruti Suzuki.
- ⑩ **Micro Finance Institutions (MFIs)** –partnered with Friends of Womens' World Banking (FWWB), a MFI based at Ahmedabad, for on lending to its partner organizations for extending loans to the ultimate beneficiaries in Manipur for purchasing 20,000 solar lamps.
- ⑩ **NBFCs** – Bank partnered with Electronic Finance Ltd., a Pune based NBFC, to channel loan to MSEs to acquire energy efficient equipments under a simplified credit delivery mechanism without any collateral security.
- ⑩ **Banks / SFCs** – Bank is partnering with banks / SFCs to promoter EE in MSME Sector. Bank provides resource support, technical service & training to banks / SFCs for lending for EE projects in MSME sector.
- ⑩ **Machine manufacturers** - Bank has partnered with select manufacturers of EE machinery, equipment for providing assistance to MSMEs for buying these equipments in a simplified credit delivery arrangement without any collaterals.

# New Credit Facilities for EE

## KfW LOC for EE

- Euro 50 mio
- Existing units in identified 16 sectors
- Energy saving potential – important parameter for credit decision
- Machinery / process modifications and related civil work
- Interest rate of 9.5-10%

## AFD LOC for EE

- Euro 50 mio
- Existing & greenfield
- Energy saving potential assessment tool
- Retrofits / machinery/ renewable / related other items
- Interest rate of 9.5-10%



# New Initiatives during FY 2011

- Supported SMERA to develop Green Rating model for MSMEs. Green Rating for Steel sector developed and for other sectors is in offing.
- Bank will provide concession in interest rate upto 50 bps to the MSMEs availing loan and obtaining min. Green Rating of SMERA Green Rating -3 & above.
- A new product *Green Loan Scheme for MSMEs* [a Short term loan with fast credit delivery mechanism & flexible terms has been started.
- Training on EE lending, CDM project. First program at Mumbai in July 2010.
- Studying the possibility of launching pCDM in one or two clusters.
- A workshop for ESCOs is planned shortly to develop synergy & working mechanism for EE projects.

# Thank You

