

Brief Proceedings of the Interactive Session with Shri Anand P. Srivastava, Regional Head, Small Industries Development Bank of India (SIDBI) and Smt. R. Prabhavathi, Deputy General Manager, SIDBI on 'SIDBI's Schemes for MSMEs' held on 3 August 2018 at the Conference Hall of MCCI.

MCCI organised an Interactive Session with **Shri Anand P. Srivastava, Regional Head, Small Industries Development Bank of India (SIDBI)** and **Smt. R. Prabhavathi, Deputy General Manager, SIDBI** on **'SIDBI's Schemes for MSMEs'** on **3 August 2018** at the Chamber premises.

Shri Smarajit Mitra, Chairman, Standing Committee on Banking, Finance and Insurance, MCCI in his welcome address said that for the Indian economy to jumpstart, it is necessary for both large industry as well as MSMEs to do well. Due to lower proportion of large industry in Eastern India, it is imperative to help MSMEs. MCCI has organised the MSME Help Desk to help MSMEs. Entrepreneurs can come and be mentored for free at these knowledge camps.

Smt. R. Prabhavathi spoke briefly and said that SIDBI is the apex body for financing MSMEs. SIDBI is engaged in both indirect lending and direct lending to MSMEs. **Shri Ashim Baidya, Manager, SIDBI** was present and gave the presentation.

Shri Srivastava said that many people do not know about SIDBI schemes. There is a communication gap which this Session is trying to address. Financial exclusion is demonstrated by the fact that 94 p.c. of units, which are mostly MSMEs have never taken finance. However, industry and banking are getting closer and more and more New to Bank customers are approaching lenders every day.

80 p.c. of SIDBI's lending is in the form of refinance and 20 p.c. is direct lending. While it predominantly relies on refinance, SIDBI will continue to have a presence in direct lending as it wants to know the pulse of the market. The size of SIDBI's Balance Sheet is about rupees one lakh crore and its profit after tax is Rs. 1,450 crores.

Shri Srivastava said that the four things required for industrial growth are a conducive industrial environment, infrastructure (both external and internal), resources including both raw material & skilled labour and finance / credit. Credit must be adequate, timely, cost effective and many small entrepreneurs want credit without collateral.

Shri Srivastava stated that SIDBI has shared its benchmark norms with MCCI and it expects MCCI to respond. In other words, SIDBI and MCCI have joined hands to bring cost effective finance to MSMEs. In this regard, Shri Mitra said that MCCI will welcome projects from its members and take the proposals forward with SIDBI.

The SIDBI officials showed a presentation on SIDBI Make in India Soft Loan Fund for Micro Small & Medium Enterprises (**SMILE**) and SMILE Equipment Finance Scheme (**SEF Scheme**).

Under the first option, **SMILE**, new and existing enterprises undertaking expansion in manufacturing or services are eligible for a term loan of 5 years tenure at an interest rate of about 8.12 p.c., which may be lower for highly rated companies. The minimum loan amount is Rs. 25 lacs and the asset coverage ratio (ACR) must be 1.3. Cases can be covered under CGTMSE up to Rs. 200 lacs. The benefits are reduced rate of interest, lower upfront fee of 1 p.c. and faster dispensing for equipment finance. There are 25 eligible sectors for SMILE loans, such as automobile, chemicals, road & highway, etc. SIDBI will decide on how to classify a loan among the 25 sectors.

The **SEF Scheme** is meant to provide quick machine / equipment loan to existing well performing MSMEs. The eligibility criteria are as follows: The MSME units should be in existence for at least 3 years; the unit should have a satisfactory financial position & good operating situation; the entity should have profits in the last 3 years as per audited accounts; drop in sales turnover, if any, should not exceed 10 p.c. year-on-year in the last 3 years; the entity should not be in default or restructured in the last 3 years with any Bank/FI; the weighted average CIBIL score of the promoters should exceed 700 and the entity or associate concern / its promoters / directors / partners should not be in default with income tax matters.

The SEF Scheme provides Term Loans at an interest rate of about 8.12 p.c. for a 5 year period (including moratorium of maximum 6 months). The promoters' contribution needs to be 25 p.c. and the DER should be less than 3:1. The ACR should be greater than 1.3. The quantum of assistance is in the range of Rs. 10 lacs to Rs. 100 lacs for new customers (Rs. 300 lacs for existing customers of SIDBI). Eligible expenditures include plant & machinery as well as civil construction for installation of machinery (less than 25 p.c. of total project cost). Investments incurred in last 6 months, but not financed by any bank or FI may be considered under SEF Scheme.

The interest rate on loans finally depends on the credit rating. Cost of credit has been a big challenge for MSMEs. SIDBI is lending to small entities at the same rate at which it lends to many larger entities.

The Session ended with a hearty vote of thanks given by Shri Akhil Sonthalia, Co-Chairman, Standing Committee on MSME, MCCI.

Rajiv Mukerji
(Deputy Secretary)