

SIDBI's Sustainable Development initiatives in MSMEs



A K Kapur
Country Head
SIDBI, New Delhi

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Need for Energy Conservation

- India has become **5th largest energy consuming country**
- **Huge gap in demand & supply** of power / energy
- **Huge power deficit of over 12,000 MW** during the peak hours in the last financial year- a report by the Central Electricity Authority (CEA).
- For economic growth at an average rate of 8% over the next 25 years
 - Energy supply should increase by 3-4 times
- **Urgent need to save energy** for sustainable development .
- Government of India has decided to **achieve 20% energy efficiency by 2017 (12th Five year Plan)**.

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Impact of Growing Urbanisation

- Biggest Threat of the 21st century – Climate Change caused by release of CO₂ in the atmosphere. Buildings, the largest primary energy consumers are the biggest contributor to this growing menace.
- World studies have acknowledged, buildings were responsible for 7.85Gt, or 33% of all energy-related CO₂ emissions worldwide and expected to grow.
- Energy consumption in India and China is on the raise due to sharp urbanization, population explosion, and intensive growth of IT and related business.
- Buildings account for more than 41% energy consumption in developed countries. As buildings are key to Asia's future, building heating and cooling are the most energy-intensive activities, followed by electricity use for lighting and appliances.
- Prediction by International Panel on Climate Change (IPCC) that CO₂ emissions from buildings could increase from 8.6 billion tonnes in 2004 to 15.6 billion tonnes in 2030.

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Growing Urbanisation in India

- In line with expanding development and population, India's building sector is expected to grow five-fold from 2005 to 2050 as two-thirds of the commercial and high-rise residential structures that will exist in 2030 are yet to be built.
- Energy efficiency in Indian buildings - Majority of energy consumption in buildings occurs for HVAC, lighting pumping, etc, Higher the energy consumption greater the opportunities for energy efficiency.
- About 70% of the infrastructure in 2030, such as buildings, will be added in next two decades between 2012 and 2032.
- In view of immense potential for investment in Green Building and favorable government policies/incentives/subsidies available for the promotion of RE a need is felt to expand the scope of Green Buildings.

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Equity Assistance

- A study shows that the equity gap for MSMEs is at around 95%.
- For this a special scheme called Growth Capital and Equity Assistance Scheme for MSMEs (GEMS) under which SIDBI offers special financial assistance to bridge the gap between the two chief sources of finance viz. bank loans (senior debt) and promoter's capital.
- SIDBI offers this assistance in the form of mezzanine/ convertible instruments, subordinated debt and equity (in deserving cases).
- This quasi-assistance is collateral free, has higher moratorium on repayment and a flexible structuring.
- To meet the venture capital requirement of emerging technology-oriented MSMEs, SIDBI has a subsidiary called SIDBI Venture Capital Ltd. (SVCL) which provides venture capital assistance to knowledge based MSMEs. Till March 31, 2013, a total of Rs. 540 crore has been disbursed under the two funds.

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Receivable Financing

- To address the delayed payment and help the MSMEs for quicker realization of their receivables, SIDBI has designed a scheme called Receivable Finance Scheme (RFS).
- SIDBI also offers invoice discounting facilities to the MSME suppliers of purchaser companies.

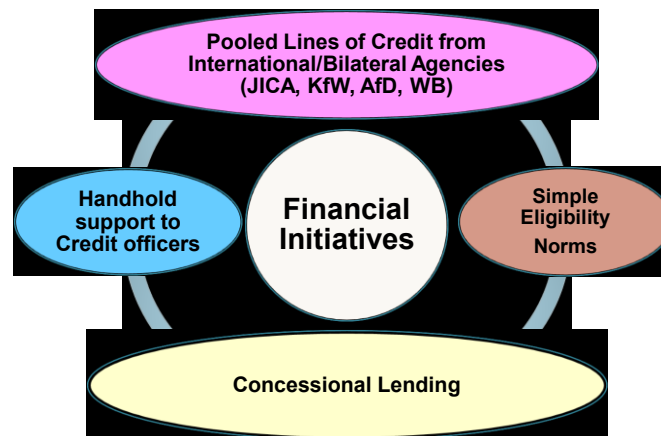
Service Sector Financing

- Service sector which contributes around 60% of the national GDP, does not get matching credit from the banking system.
- SIDBI has identified service sector as one of the thrust areas and adopted a flexible approach regarding security / collaterals available in such projects, repayment period, moratorium, etc.

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Sustainable Financing



More than **5500 MSMEs** benefitted with an aggregate **Energy Efficiency/Cleaner Production** assistance of more than **Rs. 4000 crore** on PAN India basis.

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Financing GREEN BUILDINGS

- For Green Buildings, RE and Green Technologies in the MSME sector, SIDBI has specialized financial products to promote Energy Efficiency, cleaner production and environment protection.
- SIDBI promotes MSMEs to establish Green Buildings. This assistance is provided at a concessional rate in comparison to normal funding. As on date SIDBI has provided an assistance of more than **Rs.100 crore** to potential GREEN BUILDING projects.
- In addition SIDBI also provides assistance to other renewable projects which have MSME linkages.
- This type of financial assistance to MSMEs is generally not provided by the banking system.
- SIDBI aims to make itself a sustainable financial institution, taking alongwith it the sustainable development in the MSME sector.
- SIDBI will continue to innovate new strategies and loan products to enhance the sustainable development in MSMEs. Thus contributing to the country's economy and globally to mitigate Climate Change.

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SIDBI's Developmental Initiatives

Awareness Campaigns and Capacity Building of MSMEs

Created an interaction platform for EE Equipment vendors and MSME units

Conducting free Walk Through and Detailed Energy Audits in MSMEs

Developing unit specific Investment Grade Detailed Project Reports

Implementation support through identification of vendors/ equipment manufacturers in MSMEs

Concessional lending products and assisting in identification of Financial incentives/subsidies

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