वार्षिक प्रतिवेदन

Annual Report

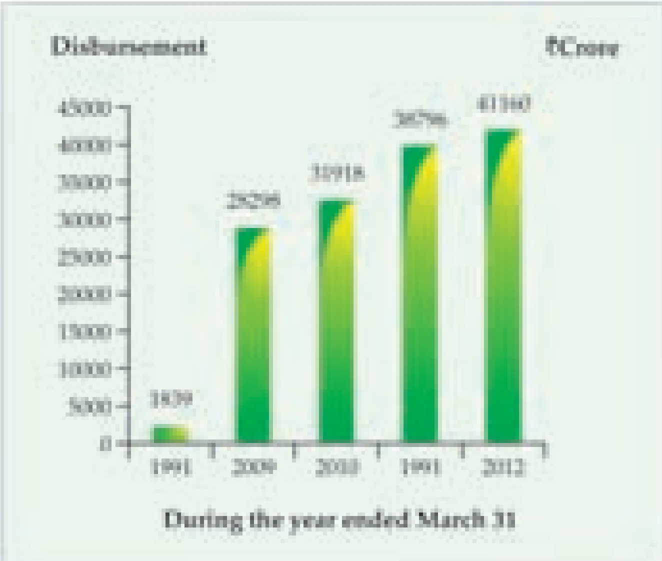
2011-12

Addressing gaps in MSME eco-system

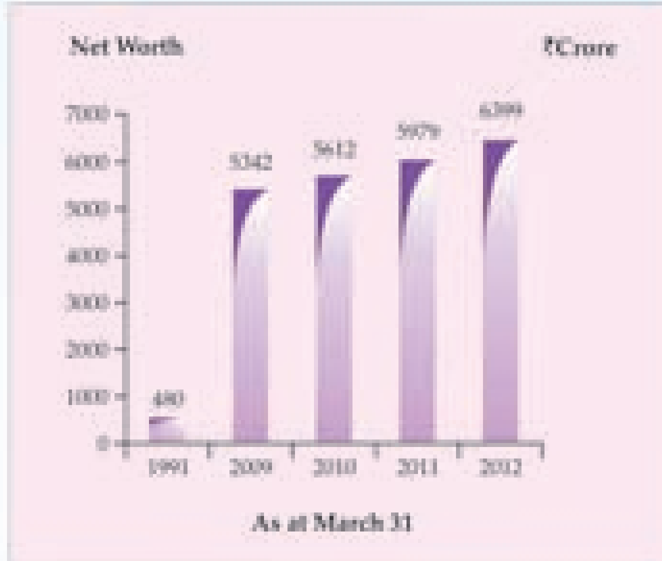
SIDBI

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

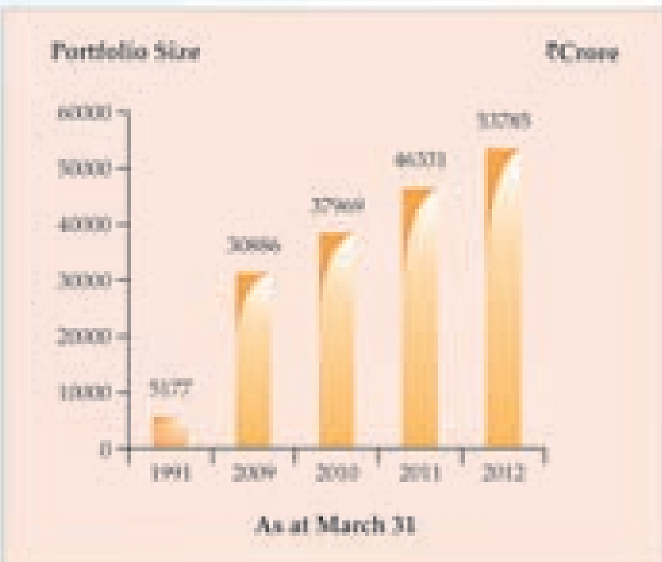
Highlights



Disbursement
₹Crore
45000
40000
35000
30000
25000
20000
15000
10000
5000
0
1839
28298
31918
38796
41160
1991
2009
2010
1991
2012
During the year ended March 31



Net Worth
₹Crore
7000
6000
5000
4000
3000
2000
1000
0
480
5342
5612
5979
6399
1991
2009
2010
2011
2012
As at March 31



Portfolio Size
₹Crore
60000
50000
40000
30000
20000
10000
0
5177
30886
37969
46371
53785
1991
2009
2010
2011
2012
As at March 31

Income & Profit
₹Crore
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
425
36
2082
299
2540
421
3867
514
4607
567
1991
2009
2010
2011
2012
During the year ended March 31

Standard Assets & Net NPAs
Percent
100
90
80
70
60
50
40
30
20
10
0
99.92
0.08
99.82
0.18
99.72
0.28
99.66
0.34
2009
2010
2011
2012
As at March 31
Standard Assets
Net NPAs

Small Industries Development Bank of India

Report of the Board of Directors for the year ended March 31, 2012 submitted to the Central Government on July 24, 2012 in terms of Section 30 (5) of the Small Industries Development Bank of India Act, 1989.

Contents

Chapters

Letter of Transmittal

July 24, 2012

The Secretary
Ministry of Finance
Government of India
New Delhi.

Dear Sir,

Annual Accounts and Report of the Board on the working of SIDBI – FY 2011-12

In accordance with the Provisions of Section 30(5) of the Small Industries Development Bank of India Act, 1989, I forward herewith the following documents :

(1) Copy of Annual Accounts of Small Industries Development Bank of India for the year ended March 31, 2012 and

(2) A copy of the Report of the Board on the working of Small Industries Development Bank of India during the year ended March 31, 2012.

Yours faithfully

(S. Muhnot)
Chairman and Managing Director

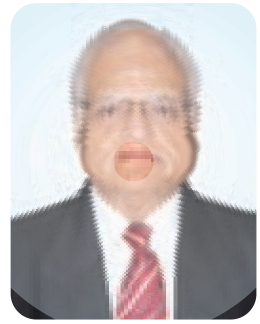
Encl. : as above

Board of Directors of SIDBI

(As on June 30, 2012)

Shri Amarendra Sinha

Shri Anurag Jain



Shri P.A. Sethi

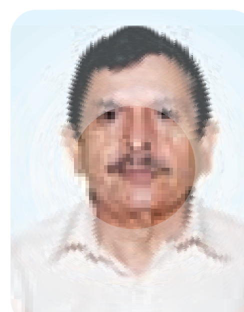
Shri J. Chandrasekaran

Shri B. Manivannan

Shri Prakash Bakliwal

Shri Anil Agrawal

Shri Janki Ballabh



Shri S.K. Tuteja

Shri T.R. Bajalia

Shri Sushil Muhnot

Shri N.K. Maini

Committees of Directors

(As on June 30, 2012)

Executive Committee

Shri Sushil Muhnot

Shri N.K. Maini

Shri T.R. Bajalia

Shri B. Manivannan

Shri S.K. Tuteja

Shri P.A. Sethi

Audit Committee

Shri S.K. Tuteja

Shri N.K. Maini

Shri T.R. Bajalia

Shri Anil Agrawal

Risk Management Committee

Shri Janki Ballabh

Shri N.K. Maini

Shri J. Chandrasekaran

Shri Prakash Bakliwal

Committee for Supervision of SFCs

Shri Sushil Muhnot

Shri N.K. Maini

Shri T.R. Bajalia

Shri Janki Ballabh

Special Committee to Monitor Large Value Frauds

Shri Sushil Muhnot

Shri N.K. Maini

Shri T.R. Bajalia

Shri Anil Agrawal

Shri P.A. Sethi

Information Technology Strategy Committee

Shri P.A. Sethi

Shri N.K. Maini

Shri B. Manivannan

Mission

To facilitate and strengthen credit flow to MSME and address both financial and developmental gaps in the MSME eco-system.

Progress at Glance

(₹ Crore)

Financial Year	**1990-91**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Outstanding Portfolio	5,176.8	30,885.9	37,969.0	46,053.6	53,785.1
Disbursements	1,838.8	28,297.8	31,917.9	38,795.9	41,160.1
As on March 31					
Items	**1991**	**2009**	**2010**	**2011**	**2012**
Capital-Authorised	500.0	1,000.0	1,000.0	1,000.0	1,000.0
-Paid-up	450.0	450.0	450.0	450.0	450.0
Reserves and Funds	44.9	5,149.4	5,457.2	5,868.4	6,327.9
Total Income (Net of provisions)	425.1	2,082.3	2,539.8	3,442.8	3,870.4
Net Profit	35.6	299.2	421.3	513.8	566.9
Dividend to Shareholders	5.0	67.5	112.5	112.5	112.5
Return on Avg. Outstanding Portfolio (%)	0.7	3.7	2.6	2.0	2.2
Standared Assets as percentage of net outstanding portfolio	100	99.92	99.82	99.72	99.66
Capital to Risk Assets Ratio (%)	13.9	34.2	30.1	30.6	28.9

Chairman and Managing Director's Statement

Dear Shareholders,

The Board of Directors and the Management Team of SIDBI are privileged to present the Bank's Annual Report for the Financial Year 2011-12. It gives me pleasure to inform that the Bank has maintained consistently good growth of its operations by posting a 16.7% growth in its credit outstanding to MSME sector during FY 2011-12. While the total income increased to ₹4,606.63 crore in FY 2011-12, the net profit was also higher at ₹566.90 crore. A dividend of 25% was also decided for our shareholders.

As we all know, our MSME sector has emerged as an important pillar of our economy by contributing greatly to growth of Indian economy with a vast network of over 31 million enterprises, creating employment of about 73 million, manufacturing more than 6000 products, contributing about 40 percent to manufacturing output and exports, directly and indirectly. With a potential for creating maximum employment and poverty reduction, the MSME sector can play the role of a catalyst to achieve "Faster, Sustainable and more Inclusive Growth", as envisioned by the 12th Five Year Plan.

We all know that global economy is passing through a testing time with uncertainty of Euro zone recovery in near future. With 'spillover effect' spreading to India, our economy is now facing the challenges of potential higher inflation and growth deceleration. Nevertheless, the macro economic fundamentals of our economy continue to remain stronger and with prudent policy measures, Indian economy is poised on faster recovery and higher growth trajectory.

The current economic issues are also equally challenging for our MSMEs. We are confident that the MSME sector, with its resilience and adaptability, will weather the challenges and emerge winner in the long run. For the present, the sector needs redressal of various issues and concerns and SIDBI is equipped to play the catalyst role of a 'Change Agent'. In order to address various problems of the MSME sector, SIDBI reoriented its business strategy towards filling up the financial and developmental gaps in the MSME eco-system.

Addressing Financial Gaps

The financing gaps for MSMEs which are not adequately addressed to by the banking system, are equity / risk capital, sustainable finance for energy efficiency and environment friendly investment, factoring/bills discounting to alleviate the issue of delayed payments to MSMEs, services sector financing which requires specialized financing schemes/products, etc. SIDBI's new business strategy is laying greater thrust on providing these niche types of financial assistance, thereby complementing and supplementing the efforts of banks in meeting various credit demands by the MSMEs.

In this context, it is worth mentioning that in order to channelize more equity funding to the MSME sector, the Union Budget 2012-13 announced setting up of a ₹5,000 crore India Opportunities Venture Fund (IOVF) with SIDBI. The Fund would be sector agnostic and utilized for providing equity assistance to MSMEs. SIDBI would act as the Fund of Funds to help support sufficient number of venture funds in the country, as also tap various channel partners like Banks, NBFCs, etc., apart from providing such equity / quasi-equity support directly to MSMEs.

To enable SIDBI to channelize more credit to MSME sector, Reserve Bank has provided ₹5,000 crore, contributed by foreign banks having shortfall in achievement of priority sector lending obligations and the domestic scheduled commercial banks, having shortfall in achievement of priority sector/agriculture and weaker section lending targets. This would also help SIDBI in not only continuing to provide refinancing assistance to banks / FIs for onward lending to MSMEs. Further, in order to enable RRBs / UCBs / MFIs to effectively purvey credit to MSMEs, particularly to meet the credit requirements of the 'Missing Middle' segment, i.e. loans between ₹50,000 to ₹10 lakh, SIDBI is undertaking capacity building of these smaller banks / FIs in the areas of micro enterprise credit appraisal, financial literacy, separate dispensation for MSMEs, etc.

Addressing Non-financial Gaps

In addition to providing credit directly and indirectly, SIDBI has put in place a system for loan facilitation / syndication services to MSMEs to help them avail credit from banks/FIs. The system envisages creating a scalable eco-system for loan syndication involving MSMEs, accredited MSME Project Consultants / Technological Consultancy Organisations (TCOs), SIDBI staff, Rating Agencies – to bring in more credibility to the evaluation process for enabling MSMEs in securing bank credit.

In order to further enable MSMEs to access credit from banks, SIDBI has taken the initiative to set up Credit Advisory Centres (CACs) with industry associations in select MSME clusters, where the MSMEs are provided free consultancy / advisory services by SIDBI officials and retired bankers in getting credit from banks & FIs. Already 41 such centres covering 150 clusters have been set up by SIDBI.

MSMEs are found to be lacking in information on how to start a business, Govt. schemes, sources of various finances, marketing, technology, etc. In order to address the information gap, SIDBI has launched a website named as 'www.smallB.in' which acts as virtual mentor and handholding tool for entrepreneurs to set up new units and grow the existing ones. Further, SIDBI, along with GIZ, Germany, has initiated financial literacy campaign among MSMEs in different clusters.

In order to develop the capacity of the MSME sector, SIDBI undertakes a number of Promotional & Developmental activities to achieve the twin objectives of national importance, viz. (a) Promotional - enterprise promotion resulting in setting up new units and creation of additional employment through its select programmes, such as, Micro Enterprise Promotion Programme (MEPP), Entrepreneurship Development Programme (EDP) and Vocational Training Programme, etc. and (b) Developmental - enterprise strengthening to enable MSMEs to face the emerging challenges of globalisation and growing competition through select interventions, such as, Skill-cum-Technology Upgradation Programme (STUP), Small Industries Management Programme (SIMAP), Cluster Development Programme (CDP) and Marketing Assistance. The P&D initiatives of SIDBI have so far benefitted the MSME sector through setting up of over 1 lakh enterprises, which generated employment of around 3 lakh and benefited around 4 lakh persons.

Apart from addressing various financial and non-financial needs, SIDBI has also created an enabling institutional eco-system to address specific requirements of MSMEs through its subsidiaries / associate concerns. First, SIDBI Venture Capital Ltd. was set up in July, 1999 for providing venture capital assistance to knowledge based MSMEs. Presently SVCL is managing three venture capital funds, viz. the National Venture Fund for Software and Information Technology Industry, SME Growth Fund and India Opportunity Fund for providing venture capital assistance

Similarly, to encourage banks / FIs to provide more credit to MSMEs, SIDBI along with Govt. of India set up Credit Guarantee Fund Trust for Micro and Small Enterprises in 2000 to provide credit guarantee coverage to collateral free / third-party guarantee free loans upto ₹1 crore extended by banks/FIs to micro and small enterprises. This acted as a game changer in as much as that more than 9.33 lakh MSE loan account with credit guarantee coverage were provided financial assistance by banks / FIs by end October, 2012.

Again, to support banks in quicker credit sanction to MSMEs, SIDBI, along with few Public Sector banks and Dun & Bradstreet (D&B), set up SME Rating Agency of India Ltd. (SMERA) in September 2005 - an MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling. Cumulatively as on September 30, 2012, SMERA has assigned ratings to 17,725 MSME units, out of which micro enterprises constituted 65%.

India SME Technology Services Limited (ISTSL), was set up by SIDBI in November 2005, which provides a platform for MSMEs to tap opportunities at the global level for acquisition of modern technologies.

SIDBI has also set up, India SME Asset Reconstruction Company Ltd. (ISARC), country's first MSME focused ARC striving for speedier resolution of non-performing assets (NPA) by unlocking the idle NPAs for productive purposes which would facilitate greater and easier flow of credit from the banking sector to the MSMEs. It started operations in April 2009.

The operations of our associate institutions offering thematic solutions would be upscaled to fulfill the gaps in the MSME eco-system in coming years.

With all these financial and developmental support, SIDBI endeavours to create a niche in providing solutions for MSME domain and complement the efforts of banks and FIs in addressing the gaps in financial and non-financial needs of the MSME sector. I am hopeful that this re-oriented stretegy of your Bank will facilitate the higher trajectory growth path for the MSME sector.

Your Sincerely

(S. Muhnot)
Chairman and Managing Director

July 28, 2012

Directors' Report : 2011-12

The Board of Directors of the Bank takes pleasure in presenting its Report, reflecting the business and operations of your Bank for the financial year ended March 31, 2012.

Your Bank continued to maintain the growth in its credit disbursements to the MSME sector during FY 2011-12. Total outstanding increased by 16.70% to ₹53,621 crore as on March 31, 2012. The cumulative disbursement by your Bank to the MSME sector since its inception in 1990 stood at ₹2,44,286 crore which has benefitted around 325 lakh persons. SIDBI is primarily a refinancing institution and the outstandings under its indirect operation as on March 31, 2012, registered growth of 21% and stood at ₹42,323 crore. The Bank's direct finance to MSMEs is targeted at niche areas to address various financial gaps through specially designed products like risk capital, sustainable finance, factoring, invoice discounting, services sector financing, etc.

The total income of your Bank during the year were higher at ₹4,606.63 crore mainly due to growth in the overall portfolio. The total expenditure during the corresponding period was higher at ₹2,796.21 crore. The Profit before Tax for the year was ₹1,074.14 crore and the net profit after tax and Deferred Tax Adjustment for the year was ₹566.85 crore. The Bank declared a dividend of 25% on paid-up equity capital of ₹450 crore which worked out to ₹130.75 crore, inclusive of dividend distribution tax, surcharge and cess payable thereon.

Business initiatives

Your Bank provides risk capital assistance selectively to start-ups and early stage ventures operating in innovative businesses/ technology space, including those being incubated at technology incubators. During FY 2011-12, the operations under the risk capital assistance were upscaled to ₹152 crore.

In order to promote sustainability in the MSME eco-system, your Bank has devised special schemes for providing assistance for investment in Energy Efficiency Projects and Cleaner Production Options to MSMEs. Under the scheme, assistance is provided at concessional terms. In order to enhance the environment and social (E&S) standards in MSME sector, the Bank has started a specialised refinance scheme under World Bank LoC in this direction. As on March 31, 2012, the Bank provided sustainable financial assistance of ₹2909 Crore to 5037 MSMEs.

SIDBI has entered into structured arrangements with various industries association to help their MSME members meet the unplanned credit needs, expansion / modernisation requirements.

Promotional & Developmental initatives

Being the apex financial institution for the MSME sector, your Bank adopts a 'Credit Plus' approach under which Promotional & Developmental (P&D) activities are initiated with the twin strategy of creation of enterprises and strengthening of existing enterprises. Your Bank has benefitted the MSME sector through P&D activities which helped in setting up of over 1 lakh enterprises, generating employment of around 3 lakh and benefitting around 4 lakh persons. An important P&D initiative of the Bank is the Micro Enterprises Promotion Programme (MEPP) which aims at promoting viable micro enterprises in rural areas leading to rural employment generation. Cumulatively, upto March 31, 2012, MEPP has been implemented in 121 districts in 24 States, thereby promoting more than 38,000 rural enterprises. Similarly, Entrepreneurship Development Programme (EDP) aims at promotion of self-employed ventures capable of generating employment opportunities, especially targeting less privileged sections of the society like Women, Scheduled Castes / Scheduled Tribes, minorities and the rural poor. As on March 31, 2012, cumulatively number of EDPs supported by the Bank for various target groups was 2894, benefitting more than 72,850 participants.

Similarly, the total number of Skill-cum-Technology Upgradation Programmes (STUPs) and Small Industries Management Programmes (SIMAPs) supported by the Bank since inception, till March 2012, were 1,504 and 295, respectively benefiting about 39700 participants. STUP aims at enhancing technology profile of MSME units and SIMAP targets qualified unemployed as well as industry-sponsored candidates, with the overall objective of providing competent managers to the MSME sector.

Your Bank also accords special attention to the development of North Eastern Region (NER) through a package of micro finance, rural industrialisation, entrepreneurship development, marketing support, etc. The special initiatives being pursued in the NER encompass MEPP in 22 districts, 39 Cluster Development Programmes (CDP) and various vocational training programmes, marketing activities, seminars, etc. These programmes have so far promoted more than 2500 units in NER.

To accelerate industrial development in the north eastern part of the country, your Bank has enlisted North Eastern Development Financial Institution (NEDFi) as an eligible primary lending institution for refinance of loans to micro and small enterprises and a refinance limit of ₹50 crore was sanctioned to it during FY 2011-12. Your Bank has also set up Counseling Centres Shillong (Meghalaya), Silchar (Assam), Aizawl (Mizoram), Gangtok (Sikkim) and Agartala (Tripura).

Resources Management

Your Bank raised resources aggregating ₹20,877crore during FY 2011-12 as against ₹19,402 crore during FY 2010-11. Resources in foreign currency aggregating ₹1,980 crore and domestic borrowings of ₹18,897 crore were mobilised during FY 2011-12.

Organisational Structure

The organisational structure of your Bank has been restructured into specific verticals to successfully implement the new business strategy. The implementation strategy includes creation of focused verticals for each business / service, creation of compact Regional Offices, implementing sales & service module at branches with centralised back office operations at Head Office.

Human Resources

SIDBI endeavours to manage its human resources efficiently through adequate capacity building. As on March 31, 2012, the Bank had on its rolls a total of 1027 active full time staff comprising 863 Officers, 92 Class III staff and 72 support Subordinate staff. During FY 2011-12, the Bank deputed 633 officers to various in-house, inland and international training programmes (including repeat programmes) organised by renowned training / academic institutions with a view to upgrade the existing skill set of its staff. A total of 1056 officials nominations of the Bank participated in various training programmes.

Associates and Subsidiaries

Your Bank has been constantly working on building various institutional mechanisms to cater to the emerging needs of the MSME sector and has set up various subsidiaries / associates.

Your Bank and Ministry of MSME had set up the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in July 2000 to provide credit guarantee support to collateral free / third-party guarantee free loans upto ₹100 lakh extended by banks and lending institutions for micro and small enterprises (MSEs). You would be happy to note that cumulatively, as at March 31, 2012, a total of 7.92 lakh accounts have been accorded guarantee approval for ₹37,139 crore.

In order to provide venture capital assistance to the knowledge based and growth oriented MSMEs, your Bank had set up the SIDBI Venture Capital Limited (SVCL) for managing funds for emerging sectors, such as, life sciences, biotechnology, pharmaceuticals, engineering and information technology. It started off in 1999 with the ₹100 crore National Venture Fund for Software and IT Industry, then established the ₹500 crore SME Growth Fund in the year 2004. As on March 31, 2012, SVCL has committed ₹542 crore to innovative enterprises.

During FY 2011-12, SVCL set up India Opportunities Fund (IoF) as a close ended venture fund with a life of 10 years. The fund has done a final closure in April 2012 with a corpus of ₹600 crore. SVCL has also constituted Samridhi Fund of ₹320 crore which is scheduled to commence investments during FY 2012-13. The Fund has been set up with a major contribution from Department for International Development (DFID), UK and focused on fostering inclusive growth in the 8 poorer states of India, viz. Bihar, Madhya Pradesh, Odisha, Uttar Pradesh, Rajasthan, Jharkhand, Chhattisgarh and West Bengal.

Your Bank, along with leading public, foreign and private sector banks and Dun & Bradstreet, set up the SME Rating Agency of India Ltd. (SMERA), as an MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling. SMERA has achieved considerable success in rating more than 15,000 MSMEs as on March 31, 2012.

India SME Asset Reconstruction Company Ltd. (ISARC) was set up in April 2008 as an Asset Reconstruction Company (ARC) to acquire non-performing assets (NPAs) and to resolve them through its innovative mechanisms with a special focus on the NPAs of MSME sector. ISARC has acquired 41 NPAs from 6 banks for an aggregate principal outstanding of ₹55.48 crore in both portfolio sale proceeds as well as bilateral sale by banks. As of March 31, 2012, ISARC has assets under management of about ₹368 crore.

India SME Technology Services Ltd. (ISTSL) provides a platform where MSMEs can tap opportunities at the global level for acquisition of modern technologies or establish business collaboration. During FY 2011-12, ISTSL attended to around 235 technology based enquires from MSMEs and offered technology facilitation services towards the technology related needs of MSMEs.

Awards

During FY 2011-12, SIDBI was honoured with two international awards. These awards for "Taxi Financing Scheme"; "Auto Rickshaw Financing"; and "Energy Efficiency Lines of Credit" under Environmental Development Category and for development of Code of Conduct Assessment Tool for MFIs under corporate social responsibility category were conferred by Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) which has membership of 116 institutions from 42 countries.

Acknowledgement

The Board of Directors of your Bank acknowledges the valuable support received from the Government of India and the Reserve Bank of India. The Board is also thankful to the World Bank Group; Japan International Co-operation Agency (JICA), Japan; Department for International Development (DfID), U.K.; Kreditanstalt fur Wiederaufbau (KfW), Germany; The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany; French Development Agency (AFD), France and Asian Development

Bank for their continued resource support and technical co-operation. The Board places on record its appreciation for the co-operation extended to SIDBI by banks, state level institutions, industry associations and other agencies engaged in the promotion and development of the MSME sector. The Bank also thanks all its clients and investors for their co-operation and looks forward to their continued support in the years to come. The Board places on record its appreciation for the services of SIDBI staff, at all levels, who showed strong commitment, integrity and dedication to take the Bank to a higher growth path.

S. Muhnot
Chairman & Managing Director

1

Micro, Small and Medium Enterprises – Performance and Outlook

Micro, Small and Medium Enterprises - Performance and Outlook

The global economy recovered from the 2008 crisis by recording a growth of 3.8% in 2011, as against negative growth of 0.6% in 2009. Improved activity in the United States during the second half of 2011 reduced the threat of a sharp global slowdown. However, due to continued economic sluggishness in Europe, global growth is projected to drop to about 3.3% in 2012, as per World Economic Outlook, published by International Monetary Fund in October, 2012.

The Indian economy is estimated to have grown by 6.5 % in FY 2011-12, after having grown at the rate of 8.4 % in each of the two preceding years. While agriculture and industry sectors decelerated to 2.8% and 3.4%, respectively, the services sector maintained the growth tempo at 8.9% during FY 2011-12.

Micro, Small and Medium Enterprises Sector

The Micro, Small and Medium Enterprises (MSME) sector is an important pillar of the Indian economy by way for creating employment for about 73 million persons through 31 million units, manufacturing more than 6,000 products, contributing about 44% to manufacturing output and about 40% of exports, directly and indirectly. As per the latest available data, the MSME sector production showed a higher growth of 11.5% in FY 2010-11 (Table 1.1).

Table 1.1 : Performance of MSMEs

Year	Total MSMEs (in lakh Nos)	Fixed Investment (₹ crore)	Production (₹ crore) (Current price)	Employment (lakh persons)
2008-09	285.16 (4.53)	6,21,753 (11.39)	8,80,805 (11.39)	659.35 (5.27)
2009-10*	298.08 (4.53)	6,93,835 (11.59)	9,82,919 (11.59)	695.38 (5.46)
2010-11#	311.52 (4.51)	7,73,487 (11.48)	10,95,758 (11.48)	732.17 (5.29)

* Provisional, # Projected
Note: The figures in brackets show the percentage growth over the previous year.
Source : Annual Report FY 2011-12, Ministry of MSME, Govt. of India

Credit Flow to Micro and Small Enterprises Sector (MSE) by Scheduled Commercial Banks (SCBs)

As per the Reserve Bank of India (RBI), the outstanding credit to the MSE sector by SCBs registered a growth of 14.1% during FY 2011-12, i.e. from ₹4,550 billion as at end March 2011 to ₹5,190 billion as at end March 2012 (Table 1.2). The data on sectoral deployment of bank credit released by RBI reveals that the credit outstanding to manufacturing units under MSME sector registered a growth of 13% in FY 2011-12 (11% in FY 2010-11). At the same time, credit to MSME sector services units registered a lower growth of 15% (35.2% in FY 2010-11).

Table 1.2 : Deployment of Gross Bank Credit by SCBs

(₹ billion)

Sector	Outstanding as on			Variation (Y-oY) (%)	
	March 26, 2010	March 25, 2011	March 23, 2012	2010-11	2011-12
Non-food Credit	30,400.1	36,673.5	42,897.4	20.6	17.0
Priority Sector	10,921.8	12,393.9	13,991.0	13.5	12.9
Micro & Small Enterprises, of which	3,735.3	4,550.0	5,189.7	21.8	14.1
Manufacturing	2,064.0	2,291.0	2,591.9	11.0	13.1
Services	1,671.3	2,258.9	2,597.8	35.2	15.0
MSE as % to Priority Sector	34.2	36.7	37.1	NA	NA
MSE as % to Non food Credit	12.3	12.4	12.1	NA	NA

NA : Not available

Source : Sectoral deployment of bank credit data by RBI

Policy Environment

Union Budget 2012-13

- Targeted Tax-free bonds for financing infrastructure projects were raised to ₹60,000 crore in 2012-13. This includes ₹5,000 crore earmarked for SIDBI.
- To enhance availability of equity to MSME sector, ₹5,000 crore India Opportunities Venture Fund would be set up with SIDBI.
- With the objective of promoting market access of MSEs, the Government has approved a policy which requires ministries and Central Public Sector Enterprises to make a minimum of 20% of their annual purchases from MSEs. Of this, 4% will be earmarked for procurement from MSEs owned by Schedule Caste/Schedule Tribe entrepreneurs.
- The turnover limit for compulsory tax audit of accounts as well as for presumptive taxation would be raised from ₹60 lakh to ₹1 crore for Small & Medium Enterprises.
- In order to augment funds for SMEs, capital gains tax on sale of a residential property would be exempt, if the sale consideration is used for subscription in the equity of a manufacturing SME company for purchase of new plant and machinery.
- Considering the shortage of skilled manpower in the manufacturing sector and to generate employment, weighted deduction at the rate of 150% of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines would be provided.
- In order to have a better outreach and to provide more flexibility to suit local needs, it was decided that a new centrally sponsored scheme titled "National Mission on Food Processing" would be started, in cooperation with the State Governments in 2012-13.

- In order to improve the flow of institutional credit for skill development, a Credit Guarantee Fund would be set up. This will benefit youth in acquiring market oriented skills.

RBI Monetary and Credit Policy

- As per Monetary Policy Statement in April, 2012, Repo Rate under the Liquidity Adjustment Facility (LAF) was reduced by 50 basis points from 8.5 % to 8.0 %. The Reverse Repo Rate under the LAF, determined with a spread of 100 basis points below the repo rate, accordingly adjusted to 7.0 per cent.
- The Bank Rate stood increased to 9% from 6%.
- SLBCs were mandated to prepare a roadmap covering all unbanked villages of population less than 2,000 and notionally allot these villages to banks for providing banking services in a time-bound manner.

Highlights of Annual Supplement 2012-13 to Foreign Trade Policy 2009 -14

- Two per cent Interest Subvention Scheme which was available only to handlooms, handicrafts, carpets and SMEs would now also be extended to labour intensive sectors, viz. toys, sports goods, processed agricultural products, ready-made garments, etc. and would be available till March 31, 2013.
- For continued technological upgradation of export sectors, the Zero Duty Export Promotion Capital Goods Scheme has now been extended up to March 31, 2013.
- The scope of Zero Duty Export Promotion Capital Goods (EPCG) Scheme has been enlarged and it would henceforth be available to units that are availing the benefits of Technology Up-gradation Fund Scheme (TUFS). The additional Zero Duty EPCG authorisation can be availed for another line of business by the same applicant. Further, if it is the same line of business, Zero Duty EPCG Scheme could still be availed if the benefits of TUFS already availed are surrendered/refunded with applicable interest.
- The benefit of Zero Duty EPCG Scheme was not available to such applicants who had availed benefit of Status Holder Incentive Scrip (SHIS) till March 31, 2012. It was decided that if such SHIS benefit already availed was surrendered subsequently with applicable interest to the Regional Authority (RA) concerned, then the benefit of Zero Duty EPCG Scheme would be extended.
- Introduction of a new Post-Export EPCG Scheme: Exporters, if they choose to, may import capital goods on payment of duty in cash and subsequently receive duty credit scrip on completion of

export obligation. Thus, there would be no duty remission / duty exemption at the time of import of Capital Good (CG). Since the duties have been paid upfront at the time of import of CG, the export obligation would be 85 % of normal export obligation. On the basis of export performance, a Duty Credit Scrip will be issued subsequently by Regional Authority (RA), in proportion to export obligation so fixed. This would obviate the monitoring and reporting requirements, as the scheme would be self-monitored. Reduced transaction cost coupled with comparatively reduced export obligation would make this scheme attractive.

- Under the EPCG Scheme at present, the condition of maintenance of average level of exports is not applicable to some sectors. Three new sectors are being added to this list, viz., carpet, coir and jute. This would provide substantial relief to these labour intensive industries, which find it difficult to maintain the average export obligation.
- To promote manufacturing activity and employment in the North Eastern Region of the country, export obligation under the EPCG Scheme shall be 25% of the normal export obligation.
- To promote exports of 16 identified green technology products, export obligation for manufacturing of these products, under the EPCG Scheme, is being reduced to 75% of the normal export obligation.
- Status holders are issued Status Holders Incentive Scrip (SHIS) to import capital goods for promoting investment in up-gradation of technology of some specified labour intensive sectors like leather, textile & jute, handicrafts, engineering, plastics and basic chemicals. It is now decided that up to 10% of the value of these scrips will be allowed to be utilized to import components and spares of capital goods imported earlier.
- Export of handicraft items and export of hand-made woollen carpets including other floor coverings like woolen durries, druggets, gabbas, namdhas and shaggy shall not be allowed on the basis of "Delivery against Acceptance (DA)" terms, unless they are covered by a bank guarantee or ECGC guarantee. This would significantly protect the business and financial interests of small exporters.
- Exporters will be henceforth permitted to give single revolving bank guarantee for different transactions.
- At present duty free import of embellishments is allowed against exports of handloom made-ups, cotton made-ups and polyester made-ups. This facility will now be extended to the export of synthetic made-ups.

Economic Outlook

The global economy is expected to show a gradual strengthening of activity in 2013 from the relatively disappointing pace of early 2012 and record a higher growth of 3.6% as against 3.3% in 2012. The growth will be led by the USA, China, Japan and Middle East and North Africa (MENA) countries. Similarly, the Indian economy is poised on a recovery path with expected higher growth momentum in FY 2012-13.

A number of positive factors are working to create a growth enabling eco-system for the MSME sector. First, favourable credit policy measures, such as 20 percent annual credit growth to MSMEs, 60 percent of the MSME credit to be embarked for micro enterprises and 10 per cent annual growth in the number of micro enterprise accounts. More importantly, its continuous monitoring by Government of India and Reserve Bank of India will enhance credit access to the sector. Second, major constraints of MSME sector are now being addressed by SIDBI's new business model which is oriented towards filling the financial gaps and developmental gaps in the MSME eco-system. In its new business model, SIDBI would be providing venture / risk capital, energy efficiency investment loans, bills discounting / factoring which are generally not being provided adequately to MSMEs by banks. Credit flow to MSME sector will be further augmented by SIDBI's initiatives in setting up of Credit Advisory Centres with industry associations in clusters and providing loan facilitation / syndication services. Third, a major constraint of informational gap in MSME sector is now being addressed by SIDBI's newly launched website 'www.smallB.in" which not only handholds a new entrepreneurs to set up units, but also provides all necessary information to existing entrepreneurs to grow in future. Fourth, certain policy measures like early resolution of NPAs and sickness in MSME sector, opening up of specialized MSME branch / cell in MSME clusters, easier access to forex loans by MSMEs, launching of innovative bank branches exclusively for financing innovative MSMEs, mandatory 20% procurement from MSE sector by Public Sector Undertakings / Government departments, opening up of defence sector to MSMEs , etc. will go a long way to help MSMEs achieve a higher and sustainable growth in coming years.

At the same time, SIDBI will continue to evolve its business strategy to match the constantly evolving needs and challenges of the MSME sector. SIDBI will also continue to leverage its rich partnerships with national and international agencies to make the MSME domain more vibrant, resilient and competitive.

2

Strategic Business Initiatives and Overall Operations

Strategic Business Initiatives and Overall Operations

The business strategy of SIDBI has been reoriented towards filling up the financial and non-financial gaps in the MSME eco-system. SIDBI would extend refinance to Banks and Non-Banking Financial Companies (NBFCs) and also extend capacity building support to smaller commercial banks, Regional Rural banks (RRBs), Urban Co-operative banks (UCBs) and District Co-operative Banks (DCBs). In addition, direct finance to MSMEs is being targeted at niche areas to address various financial gaps through specially designed products like risk capital, sustainable finance, factoring, invoice discounting, services sector financing, etc. In the overarching framework of MSME eco-system, capacity building of the MSME sector is an important component of the Bank's new business model. These include technology development, marketing infrastructure, cluster development, skill & entrepreneurship development, information and communication technologies, etc. Accordingly, SIDBI will continue to strengthen the MSME eco-system to match the constantly evolving needs and demands of this vibrant sector. Towards the above objectives, the Bank has taken a number of initiatives, some of which are briefly mentioned below:

First MSME Summit "Vision 2020: Empowering MSMEs for Competitiveness"

Equity/Risk Capital

- **Equity/Risk Capital Scheme -** The equity/risk capital assistance has supported the growth requirements of a number of MSMEs including leveraging of senior loans, funding intangible requirements like expenditure for Research & Development, marketing / brand building, technical know-how, energy efficiency, quality control, working capital margin, etc. where bank loans are generally not available. SIDBI also provides such risk capital assistance selectively to start-ups and early stage ventures operating in innovative businesses/ technology space, including those being incubated at technology incubators. Such units face difficulty in raising finance from the formal financial system due to perception of high risk (being in pre-commercialisation stage, not yet achieved break-even, etc.), besides absence of tangible security / collaterals to offer. The Bank has been working with incubators and angel networks to identify and support deserving start-ups. The risk capital assistance is offered on the backing of future cash flows of the unit rather than asset coverage / collaterals unlike conventional loans.

- **Growth Capital & Equity Assistance Scheme for MSMEs -** During FY 2011-12, Direct Risk Capital Scheme (DRCS) has been rechristened as Growth Capital & Equity Assistance Scheme for MSMEs (GEMs), with some modifications and additional features so as to assist greater number of MSMEs.

- **Equity/Risk Capital Assistance through channel partners -** During FY 2011-12, with a view to channelise growth capital / equity to a larger number of MSMEs, SIDBI has decided to partner with select banks to enhance its reach, leveraging on the country-wide branch network of such banks. In the effort to reach out to large number of MSMEs. SIDBI has entered into an MoU with a public sector bank to provide a line of credit of ₹100 crore to provide growth capital to deserving MSMEs for funding their growth requirements. Such MoU would be entered into with some more banks in due course. SIDBI has also put in place a scheme to provide risk capital assistance to MSMEs by way of line of credit / resource support through Channel Partners (CPs)/ NBFCs with an objective of enhancing the retail reach of risk capital.

- **MoU with Technology Information, Forecasting and Assessment Council (TIFAC) -** SIDBI has executed a Memorandum of Understanding (MoU) with Technology Information, Forecasting and Assessment Council (TIFAC) for implementing the Technology Innovation Programme (Srijan Scheme). A revolving innovation fund of ₹30 crore has been created by TIFAC under the scheme. The main objective of the scheme is to support MSMEs towards development, up-scaling, demonstration and commercialization of innovative technology based project. The Scheme provides developmental loan at flexible terms & interest rate to encourage / promote development / innovation of new technology / process / product and its commercialization. Under the scheme, assistance is provided upto ₹1 crore at a softer interest rate not more than 5% p.a.

Sustainable Finance

- **Promoting Energy Efficiency:** SIDBI has been operating focused lending schemes with Line of Credit (LoC) support from various multilateral/bilateral international agencies, such as, Japan International Cooperation Agency (JICA) Phase I- JPY 30 billion & Phase-II – JPY 30 billion, Kreditanstalt fur Wiederaufbau (KfW), Germany - EUR 50 million; and Agence Francaise de Developpement (AFD), France - EUR 50 million. The main objective of these focused lending schemes is to enhance energy efficiency, reduce CO_2 emissions and improve the profitability of the Indian MSMEs in the long run.

Under these LoCs, apart from offering assistance at concessional rate of interest, the Bank has mapped high energy intensive MSME clusters, prepared cluster profiles, suggested EE investments suitable to the clusters, conducted more than 30 awareness campaigns and 10 focused group meetings in various MSME clusters across the country for information dissemination. A list of 663 energy efficient equipments in various industrial segments with their estimated energy saving potential has been prepared and uploaded in the SIDBI website. The Bank also provided training to credit officers in order to sensitize and improve their knowledge in the area of financing energy efficiency and cleaner production loan proposals. As on March 31, 2012, an aggregate EE assistance of ₹2,909 crore was sanctioned to 5,037 MSMEs.

- **Promoting Cleaner Production Measures**

  SIDBI has contracted EURO 38.5 million LoC from KfW, Germany for promoting investment in cleaner production options in the MSME sector. The main objective is to achieve reduction of emission and pollution through cleaner production investments. Investment, such as, Common Effluent Treatment Plants (CETPs), Waste Treatment, Storage & Disposal Facilities, Waste recycling, etc., benefitting large number of MSMEs in the industrial clusters are also eligible under the assistance. Individual MSMEs going in for investments that will result in the pollution control, waste reduction, improvement in raw material productivity, etc., are also eligible to be covered under the LoC. As on March 31, 2012, 157 MSMEs have been assisted with an aggregate term loan of ₹97 crore.

- **Green Loan Scheme**

  The awareness about the environmental aspects among the MSMEs has increased in the areas of energy efficiency, waste recycling, waste treatment and disposal, ISO certifications, energy audit, Bureau of Energy Efficiency (BEE) star rating of their products, green ratings etc., for sustainability of their manufacturing facilities. SIDBI introduced 'Green Loan Scheme' to assist MSMEs to meet their capital expenditure, non-operational and intangible expenditure for improving energy efficiency/adopting cleaner production measures, etc.

- **Programmatic Clean Development Mechanism Project**

  SIDBI is the Co-ordinating Managing Entity (CME) for implementing a programmatic Clean Development Mechanism (pCDM) project for Energy Efficiency Improvements in Furnaces used in MSME Stainless Steel Re-rolling cluster in Jodhpur, Rajasthan along with India SME Technology

Services Ltd, (ISTSL), an Associate of SIDBI. The main aim of implementing this project is to provide additional benefit of carbon credits to the participating MSMEs in the future. There are around 300 MSMEs in the Stainless Steel Re-rolling cluster in India and the estimated CO_2 reduction is 48000 MT/annum. Host Country Approval has been provided by Ministry of Environment & Forest for this project. The project is now in the advanced stage of validation and expecting the final registration of the project in United Nations Framework Convention on Climate Change (UNFCCC).

- **WB-GEF Project – Financing Energy Efficiency in MSMEs**

  SIDBI along with Bureau of Energy Efficiency (BEE) is executing a World-Bank- Global Environmental Facility (GEF) funded project "Financing Energy Efficiency at MSMEs" in five MSME clusters viz., Kolhapur foundry, Tirunelveli limekilns, Ankleshwar chemicals, Pune forging and Faridabad mixed cluster. The main objective of the project is "to increase demand for energy efficiency investments in the target MSME clusters and to build their capacity to access commercial finance". The key beneficiaries of the project includes participating MSMEs who will realize the potential benefits from EE investments/improvements; Banks / FIs from increased business opportunities; energy professionals & Local Service Providers (LSPs) from increased demand for their services and Industry Associations enabling them to carry out EE related activities in their clusters. The main deliverable of the project is to develop 500 Investment Grade Detailed Project Reports (IGDPRs) in these 5 clusters.

- **Scheme for Refinance to Banks under the World Bank Line of Credit (SRWB) -** To enhance the environment and social (E&S) risk framework based lending to MSE sector, the Bank has started a specialised refinance scheme under the World Bank LoC, in addition to provide such financing support to MSME sector directly. This new refinancing scheme has facilitated increased geographical coverage and expansion of innovative MSE loan products, especially those providing energy efficient loans. In addition to this, banks have also evinced interest to adopting Environmental & Social risk framework in their MSME lending.

- **Initiative towards Financial Inclusion (Micro Loans):** Under a unique arrangement with manufacturers of certain equipments, SIDBI has devised an innovative scheme for assisting professionals for purchase of equipment. The repayment is structured flexibly based on the cash flow of these borrowers. Keeping in mind the credit profile of the borrowers, the appraisal and sanction process has been highly simplified. Within just 4 months of operationalizing the arrangement, more than 100 borrowers have been assisted. The major benefit of the arrangement is financial support to the generally un-bankable section of the entrepreneurs. By this innovation, SIDBI has been able to fulfill its broader objective of financial inclusion. Borrowers under this arrangement will find it much easier to access bank finance from other banks also.

Innovative Financing

- **Flexible Assistance for Capital Expenditure (FACE):** MSMEs felt the need for longer term repayment and flexible repayment for different components of project cost depending upon the nature of investment and economic life of the asset. To meet this need of MSMEs, SIDBI has launched a new scheme, viz. Flexible Assistance for Capital Expenditure with separate repayment schedules for different components of the project. Further, the interest rate for each component would also be based on its tenure. MSMEs would, thus, have greater flexibility in repayments within one single project.

- **NSE Trade Receivables Engine for E-discounting in association with SIDBI (NTREES) -**SIDBI, along with National Stock Exchange (NSE), took an initiative in 2009 for setting up an electronic platform for discounting of MSME receivables named as NTREES. Operations on the platform are done under Real Time Gross Settlement basis and all the participants are being provided with system generated passwords for accessing the platform. As on March 31, 2012, 428 MSME vendors have registered themselves on the platform and total of 18,161 invoices have been discounted for ₹638.27 crore.

Structured Finance

- **Assistance to North Eastern Development Financial Institution (NEDFi) -** To accelerate industrial development in the north eastern part of the country, SIDBI has enlisted NEDFi as an eligible primary lending institution for refinance of term loans to micro and small enterprises and a refinance limit of ₹50 crore was sanctioned to it during FY 2011-12.

- **Structured Credit delivery arrangement with Gujarat Industrial Development Corporation (GIDC) -** GIDC, a Government of Gujarat entity, set up for orderly establishment and organization

MoU signed by Shri S. Muhnot, CMD, SIDBI and Shri B. Paul Muktieh, CMD, NEDFi in the presence of dignitaries and officials of both SIDBI and NEDFi.

of industries in industrial estates in the state of Gujarat, is involved in identifying / acquiring, development and allotment of land. It has so far developed 184 industrial estates and 7 Special Economic Zones in 25 districts of Gujarat. The corporation has recently developed Sanand Industrial Area with around 800 industrial plots. A structured credit delivery arrangement has been worked out with GIDC for units coming up at Sanand Industrial Area both for acquisition of plot and / or setting up their units. Under the arrangement, once an MSME is allotted a plot by GIDC, SIDBI would fund the deferred payment component (about 70%) of the land cost, based on pre-defined screening criteria. GIDC would act as service, collection and recovery agent of SIDBI. The proposed arrangement is expected to benefit large number of MSMEs desirous of setting up the units in such Industrial estates, besides providing a boost to the industrialization in the state.

- **MoU with CODISSIA (The Coimbatore District Small Industries Association), GSIA (Goa State Industries Association) and IIA (Indian Industries Association) -** SIDBI has entered into structured arrangements with these associations to help meet the unplanned credit needs of the well performing MSME members of these associations. Similar arrangement was earlier entered into with Faridabad Small Industry Association which is working satisfactorily. It is expected that a large number of MSMEs would benefit with the new arrangements entered into with these associations.

Shri S. Muhnot, CMD delivering a speech on the occasion of signing of an MoU by SIDBI with Indian Industries Association (IIA)

- **MoU for Structured credit delivery arrangement with The All India Plastics Manufacturers Association (AIPMA) -** AIPMA, one of the leading plastic manufacturers associations in the country, has more than 2,500 direct members and 12,000 indirect members through its 27 affiliated organizations all over the country. AIPMA organizes PLASTVISION INDIA, an international event, every third year to promote the plastics industry. It is supported by Ministry of Chemicals and Fertilizers, Government of India, Export Promotion Council of India, various state Governments, etc. SIDBI has entered into a structured arrangement with AIPMA to meet the credit needs of well performing MSME members of AIPMA for their expansion and modernization projects. Under the proposed arrangement, AIPMA would refer its members for assistance from SIDBI for their credit needs. AIPMA would act as a facilitator under the arrangement for which the association would be paid certain amount of service charges. The proposed arrangement with

AIPMA will enable SIDBI to cater to the credit needs of MSME members of AIPMA, besides reaching out to a large number of MSMEs in clusters.

Other credit related initiatives

- **Introduction of Customer Management Application:** The Customer Management Application software has been implemented in the Bank. The application provides features to capture customer profile details beginning from the enquiry stage. The application also supports service requests / grievances capturing and resolution workflow. This would facilitate better customer service and expeditious and time-bound resolution of customer grievances.

- **Remodeling of CLPC structure:** Central Loan Processing Cells (CLPCs) were introduced in the Bank for past few years. These specialized cells have resulted in expeditious processing of credit proposals, besides bringing in quality in processing. In order to further sharpen the focus on customer service and to cover reduce turnaround time, the existing set-up of CLPCs was extended to high potential centres. Besides bringing about coverage of more locations under CLPC set-up, it would also improve credit delivery in those areas.

- **Refinance Scheme for Micro and Small Enterprises Sector (RMSE - III) -** SIDBI received a corpus of ₹4,711 crore in FY 2011-12 under the MSE (Refinance) Fund 2012. The Fund was utilised to incentivise banks and State Financial Corporations to lend to Micro and Small Enterprises (MSEs) by refinancing 50% of their incremental lending to MSEs at reasonable rate of interest.

International Consultancy and Central Coordination

In order to encourage the information sharing and transmission of best practices across countries for the MSME sector, the Bank had set up International Co-operation Division (ICD) which has been rechristened as International Consultancy and Central Coordination Vertical (ICCCV). ICCCV has been playing a major role in disseminating information about various promotional and developmental initiatives for MSMEs in India. During the year, ICCCV interacted with delegations from South Africa, Vietnam, Maldives, Senegal, Botswana and a few other African countries.

Overall Operations

SIDBI could maintain the growth in its credit disbursements to the MSME sector during FY 2011-12, despite economic sluggishness. The total MSME outstanding credit of the Bank increased by 16.7% to ₹53,785 crore as on March 31, 2012 (Table 2.1). The cumulative disbursement by SIDBI to the MSME sector since inception stood at ₹2,44,286 crore, benefitting more than 325 lakh persons.

Table 2.1 : Overall Operations

(₹ Crore)

Schemes	FY 2010-11		FY 2011-12	
	Disb. during FY	Outstanding (As on March 31)	Disb. during FY	Outstanding (As on March 31)
A. Indirect Credit				
Refinance	24,115.94	31,984.60	24,252.30	39,055.49
Micro Finance (including P&D Assistance)	851.43	2,774.00	239.42	1,575.85
Resource support to institutions/agencies	980.00	425.86	1,620.00	1,838.10
Sub-total	**25,947.37**	**35,184.46**	**26,111.72**	**42,469.44**
B. Direct Credit				
Term Loan under Direct Credit (Including Bulk Credit and Venture Capital)	4,126.37	8,186.00	4,234.20	8,683.51
MSME Receivable Finance	8,722.15	2,683.17	10,814.46	2,632.12
Sub-total	**12,848.52**	**10,869.17**	**15,048.66**	**11,315.63**
Total Credit (A + B)	**38,795.89**	**46,053.63**	**41,160.38**	**53,785.07**

1. Indirect Credit

1.A. Refinance Assistance

SIDBI being primarily a refinancing institution, its channelisation of refinance provides much needed liquidity support to Primary Lending Institutions (PLIs) like banks and State Financial Corporations. With a view to enhancing refinance capability of SIDBI, the Government of India, through Budget announcements, have been providing regular fund support under Rural Infrastructure Development Fund (RIDF). RBI allocated ₹5,000 crore during FY 2011-12 under RIDF to SIDBI as per the Union Budget 2012 announcement to incentivise banks and SFCs to lend to MSEs by refinancing 50% of their incremental lending to MSEs. Out of ₹5,000 crore allocated, SIDBI disbursed ₹4,706 crore to banks and ₹5 crore to SFCs. During FY 2011-12, SIDBI's disbursements under refinance support to PLIs stood at ₹24,252 crore. The outstandings as on March 31, 2012, registered growth of 22% and stood at ₹39,055 crore. (Table 2.1)

1.B. Indirect Risk Capital Operations

SIDBI also extends assistance to Venture Capital Funds. A total of ₹147.50 crore has been committed during FY 2011-12. The cumulative net commitments to VC Funds as at the end of FY 2011-12 went upto ₹807 crore in respect of 20 funds.

1.C. Micro Finance

The micro credit programme of SIDBI is designed with the objective of reaching financial services to the unbanked segment of the population as a step towards financial inclusion. SIDBI provides micro finance services to the millions of poor in the country through a network of strong and vibrant financial intermediaries. Considering the role of SIDBI in promoting micro finance through MFIs, the Union Budget 2011-12, announced setting up of the "India Microfinance Equity Fund" of ₹100 crore with SIDBI for providing equity and quasi-equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations, providing equity and quasi-equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations.

The cumulative assistance (including loans, grants, equity and quasi-equity) sanctioned under SIDBI's micro finance initiatives upto March 31, 2012 aggregated ₹8,164.41 crore, while cumulative disbursements aggregated ₹7,069.37 crore. The outstanding micro credit portfolio of the Bank stood at ₹2,153.96 crore, including investments as on March 31, 2012 (Table 2.2). The number of MFIs assisted by SIDBI and having loan outstanding with the Bank as on March 31, 2012 stood at 130. The assistance through SIDBI has benefited about 317 lakh disadvantaged people, most of them being women.

Table 2.2: Assistance under Micro Credit Loans and Equity/ Quasi Equity Assistance

(₹ Crore)

Sr.	Particulars	2010-11		2011-12		Cumulative Disb.
		Disb. during FY	Outstanding as on March 31	Disb. during FY	Outstanding as on March 31	
1	Term Loans	768.78	2,770.85	239.42	1,588.47	6,777.56
2	MEL-Direct Lending	6.08	8.01	2.13	6.80	12.21
3	Transformation Loan (TL)/Corpus Support for Transformation	0	11.18	0	8.64	19.05
4	Subordinate Debt	75	175	0	175.00	175.00
5	Equity Support	0	85.55	0	87.42	85.55
6	Optionally Convertible Cumulative Preference Shares	0	0	0	287.63	0
	Total	**849.86**	**3049.78**	**241.55**	**2,153.96**	**7,069.37**

1.D. Resource Support to Institutions

In order to fill up the infrastructural gap in the MSME eco-system, SIDBI has been channelising credit to MSMEs through NBFCs having linkages with the MSME sector. The disbursement and outstanding under resource support to such institutions during FY 2011-12 stood at ₹1,620 crore and ₹1,838 crore, registering a growth of 310% and 332% respectively by (Table 2.1).

1.E Promotional & Developmental Assistance

The Bank extends support by way of grants to agencies for providing Promotional & Developmental (P&D) support services to the MSME sector. The Bank's P&D assistance lays emphasis on entrepreneurship development and enterprise promotion. During FY 2011-12, the utilization under various P&D schemes and activities aggregated about ₹171.58 lakh. Details of the Bank's P&D activities are furnished in Chapter 3.

2. Direct MSME Credit

SIDBI also provides direct credit to MSMEs mainly to supplement and complement the efforts of banks and FIs in providing credit to the sector. Direct lending is primarily where gaps exist or in clusters or in niche areas through product and process innovations. During FY 2011-12, SIDBI extended direct credit of ₹15,049 crore to MSMEs registering a growth of 17%. One of the major components of direct credit, constituting 72%, is through MSME Receivable Financing, which addresses one of the important gaps of delayed payment.

Further, to address the huge shortfall in availability of equity capital to MSMEs, SIDBI has been extending risk / venture capital assistance both directly and indirectly to MSMEs. During FY 2011-12, SIDBI extended equity related assistance of ₹152 crore. Cumulatively, SIDBI has extended assistance of ₹386 crore benefitting 236 MSMEs under this scheme.

3. Non-Fund based Facility

The Bank also provides various non-fund based services like Letters of Credit (both foreign and inland), Guarantees, services for appraisal, loan syndication, etc. arising out of niche requirements of MSMEs which need such support, in addition to services provided within the traditional banking framework. Summary of business under non-fund based facility during FY 2011-12 is provided in Table 2.3.

Table 2.3 : Non - Fund based Facility

(₹ crore)

Schemes	FY 2010-11		FY 2011-12	
	No.	Amount	No.	Amount
Foreign Letter of Credit	75	62.00	85	64.64
Inland Letter of Credit	93	3.36	18	0.90
Guarantees	138	28.21	94	52.03
Total	**306**	**93.57**	**197**	**117.57**

SIDBI as Nodal Agency for Government Schemes

In addition to its direct and indirect operations, SIDBI also plays a pivotal role in implementation of various schemes for MSME sector undertaken by the Government of India (GoI). SIDBI continued to play an important role as a nodal agency in the implementation of GoI schemes, viz. Credit Linked Capital Subsidy Scheme (CLCSS) [Ministry of MSME], Technology Upgradation Fund Scheme for Textile Industry (TUFS) [Ministry of Textiles], Integrated Development of Leather Sector Scheme (IDLSS) [Ministry of Commerce & Industry] and Scheme of Technology Upgradation / Setting up / Modernisation / Expansion of Food Processing Industries (FPTUFS) [Ministry of Food Processing Industries].

During the year, capital subsidy claims of 638 eligible Micro and Small Enterprises (MSEs) directly assisted by SIDBI and amounting to ₹43.86 crore were settled under CLCSS. Further, subsidy claims of 909 MSEs amounting to ₹53.29 crore in respect of co-opted Primary Lending Institutions were also settled. Since the launch of the Scheme in October 2000, capital subsidy claims of 9,324 units aggregating ₹463 crore (cumulative) were settled. Similarly under TUFS, subsidy claims (both interest incentive subsidy & capital / margin money subsidy) of 305 eligible textile units for SIDBI's directly assisted cases amounting to ₹24 crore and subsidy claims aggregating ₹14 crore were settled in respect of the co-opted PLIs for their assistance to MSEs. Since the launch of the TUFS in April 1999, capital subsidy and interest incentive claims for an amount of ₹636 crore (cumulative) have been settled. Under IDLSS, which was launched in November 2005, cumulative claims of 1094 units aggregating ₹179 crore were settled including 139 units amounting to ₹22 crore during FY 2011-12. Under FPTUFS, subsequent to decentralization of the scheme from April 2007, 46 cases have been recommended for grant-in-aid amounting to ₹9.57 crore to the Ministry, against which subsidy amounting to ₹5.98 crore has been released to 26 units, assisted by SIDBI.

Resources Management

Resources aggregating ₹20,877.55 crore were raised by SIDBI during FY 2011-12 as against ₹19,402.46 crore during FY 2010-11 (Table 2.4). The particulars of resources raised during FY 2011-12 are detailed below:

Table 2.4 - Resources raised by SIDBI during FY 2011-12 (₹ crore)

Particular	**2010-11**	**FY 2011-12**
Domestic Borrowings		
MSE (Refinance) Fund	4,000.00	4,710.88
Fixed Deposits	2,179.40	841.64
Commercial Paper	5,957.67	4,249.58
Term Loan	1,400.00	265.00
Unsecured Bonds	4,165.00	8,830.00
Sub-total (A)	**17,702.07**	**18,897.10**

(₹ crore)

Particular	2010-11	FY 2011-12
Foreign Currency Borrowings		
JICA VII #	261.13	0.00
JICA VIII #	0.00	1,122.56
KfW V @	8.92	0.00
KfW VI @	40.78	0.00
KfW VII @	224.02	54.00
World Bank II	547.57	521.07
World Bank III (IBRD Portion)	33.33	125.89
World Bank III (IDA Portion) ^	411.91	14.00
AfD *	122.14	135.74
Asian Development Bank	49.19	6.51
Grant from DFID, UK **	1.20	0.42
Grant under KfW	0.20	0.26
Sub-total (B)	**1,700.39**	**1,980.45**
Total (A + B)	**19,402.46**	**20,877.55**

Japan International Cooperation Agency.

@ Kreditanstalt für Wiederaufbau, Germany.

^ International Development Asociation

* Agence Francaise de Developpement, France

** Department For International Development, U.K.

Risk Management

SIDBI has put in place a comprehensive Credit Risk Management (CRM) system which is sensitive and responsive to various risks emanating from its business dealings. The framework for risk management in the Bank encompasses policies, organization structure, system and practices for identification, assessment / measurement, mitigation and monitoring of various risks of the Bank. The Bank has an Operational Risk Management (ORM) Policy which lays down guidelines and strategies on ORM. A Business Continuity Plan (BCP) has also been formulated as part of the ORM framework. The Bank has also put in place an Asset Liability Management (ALM) System. The purpose of ALM is to manage liquidity and market risk including interest rate risks. The volatility in domestic interest rates and foreign exchange rates affects the interest sensitive assets and liabilities of the Bank. The function of ALM is to manage the gap between rate sensitive assets and liabilities in each maturity bucket and plan for funding the gap. The liquidity and interest rate risks of the Bank are managed by adopting Board approved limits, in addition to the regulatory limits. The risk of the investment portfolio is monitored by way of Value at Risk (VaR) and Duration Limits fixed by the Board.

As a move towards meeting Basel II norms, the Bank has initiated necessary steps for implementing the Integrated Risk Management System (IRMS), including setting up of systems and software for Credit Risk Management, Market Risk Management, Operational Risk Management and Internal Capital Adequacy Assessment Process (ICAAP). The financial risks associated with the Bank's lending and treasury operations, including off-balance sheet items, are constantly monitored, measured and managed under the overall supervision and guidance of the Risk Management Committee of the Board.

NPA Management

In order to improve the overall quality of assets of the Bank, the priority of the Bank is to reduce the present level of Non-Performing Assets (NPAs) by maximising recovery of NPAs by application of proper recovery tools and prevent further slippages of accounts into NPA category. The stressed /defaulting accounts, both in indirect as well as direct portfolios, are being monitored intensively and appropriate recovery strategy is being adopted by the Bank on a case-to-case basis.

The system of constituting an in-house Default Review Committee (DRC) at the Operating Offices to monitor the NPA accounts and other accounts causing concern has become an effective monitoring tool. The meetings of DRCs at various Operating Offices were held regularly to decide about the strategy for recovery of dues and resolution of accounts causing concern and/or categorised as NPA.

As a measure of introspection and sharing of knowledge, the Bank has also devised a system of review of fresh slippage of accounts into the NPA category, to understand and analyse the failure causes thereof.

In order to assimilate new developments and dovetail the Bank's recovery guidelines and activities to the emerging health of credit portfolio and the environment, revision in Loan Recovery Policy is undertaken annually. The guiding principle of the Policy is to apply appropriate recovery tools based on the circumstances of each case and initiate effective and result oriented action for recovery without losing time. Such a review makes the policy document flexible to embrace any positive developments taking place at the macro level and address specific issues concerning the Bank's own NPA portfolio at the micro level. Accordingly, the Loan Recovery Policy was revisited during the year and suitable modifications were carried out therein.

To provide greater focus on monitoring of stressed accounts, a high level Committee of senior officials at Head office was constituted to review Stressed accounts (having principal outstanding more than ₹1 crore and overdues more than 60 days old as also top 25 borrowal accounts) so as to take appropriate remedial action well in time and prevent their slippage to NPA category.

During FY 2011-12, the level of NPAs under Direct Assistance portfolio showed some increasing trend which is mainly attributed to adverse impact of the economic slow down witnessed in the past and the benefit of turnaround of the recession not yet percolating down, especially to all the MSMEs. The Bank is taking necessary action including restructuring measures (including restructuring under CDR mechanism), wherever found necessary to help the borrowers in tiding over their liquidity problems. At the same time, Bank has recovered ₹130.42 crore from NPA accounts under Direct Credit portfolio and also by writing off of such accounts where there were remote or nil chances of recovery. In order to increase recovery from NPAs where compromise settlement is perceived as a suitable resolution strategy, a new OTS Scheme, briefly named as "OTS-ND scheme" and which is non-discretionary/non-discriminatory in nature, was evolved to resolve the accounts categorised as "Doubtful" and "Loss" Assets.

The Indirect Assistance portfolio (including Micro Finance) had remained a cause of concern in the past and a major contributor to NPAs. However, due to various measures, such as, prudentially writing off the NPA accounts, recovering/closing of a few NPAs, the level of NPAs under Indirect Assistance portfolio, which stood at ₹131 crore as on March 31, 2011, was reduced to ₹125 crore as on March 31, 2012. The Bank has been taking a number of initiatives, including dialogues with the State Governments concerned, to safeguard its interest in respect of NPA SFCs.

The net NPAs as a ratio of net outstanding of the Bank as at end of March 2012 increased to 0.34% as compared to 0.28% as at end March, 2011.

Initiatives relating to SFCs

Regulatory directives

- The Bank issued detailed guidelines to SFCs on prudential norms for income recognition, asset classification and provisioning. The guidelines issued by National Disaster Management Authority (NDMA) were circulated to SFCs to adopt these guidelines for ensuring disaster resilient construction of buildings and infrastructure projects being financed by them.
- Further, comprehensive and updated guidelines were also issued to SFCs for sale of financial assets to a securitisation company (SC) / reconstruction company (RC) and purchase/sale of non-performing assets from / to other banks/ Financial Institutions.
- To strengthen the internal control system, SFCs were advised to set up the Audit Committee of the Board (ACB) and guidelines for composition and functioning of ACB were issued.

- In view of significant exposure to core real estate sector in the portfolios of SFCs, the Bank reiterated to SFCs to put in place an appropriate system for monitoring their exposure in the sector and also advised them to meticulously assess the inherent group risk of their loan accounts under real estate sector and carefully analyse the financial credentials/viability of the borrowers on a consolidated basis of the group.

Capacity building

- A training programme covering different aspects of project appraisal, monitoring and follow-up was organized for the benefit of officers of Jammu & Kashmir State Financial Corporation in July 2011.

Rating of SIDBI Bonds

During FY 2011-12, Credit Analysis and Research Ltd. (CARE) retained 'CARE AAA' (Triple A) rating in respect of outstanding debt issues of SIDBI, 'CARE AAA (FD)' (Triple A (Fixed Deposit) rating for the Fixed Deposit Programme of ₹3,000 crore. During the year, SIDBI had raised ₹8,830 crore by way of bonds, out of which, ₹4,955 crore was assigned 'CARE AAA' (Triple A) by CARE and the balance ₹3,875 crore was rated by CRISIL as AAA/Stable. Instruments carrying the above ratings are considered to be of the best quality, carrying negligible investment risk.

SIDBI

3

Financial Inclusion and Sustainable Growth

Financial Inclusion and Sustainable Growth

Subsequent to the announcement of Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Ordinance, 2010 by the Government of Andhra Pradesh, the Microfinance Institutions (MFIs) are facing the twin problems of liquidity and solvency due to limited funding from lenders in FY 2011-12 and difficulty in recovering their dues from their portfolio in Andhra Pradesh (AP). Some of the larger MFIs in other parts of the country have, however, been able to mobilize funds by way of term loans, non-convertible debentures, rated pool assignments and private equity investments. Overall, the situation is likely to improve gradually in the coming years due to efforts and interventions of Regulatory authorities and Government of India.

Policy Modifications

The Bank has been undertaking periodic review of its credit and operational guidelines under the micro finance programme with a view to redefining its strategy and operational procedures in line with the emerging needs of the sector. Accordingly, the policy norms under micro credit dispensation were updated/modified during FY 2011-12 as given below:

- Subsequent to the announcement in the Union Budget 2011-12, the “India Microfinance Equity Fund” of ₹ 100 crore was set up with the primary emphasis of providing equity and quasi-equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. The IMEF was operationalised and as at the end of March 31, 2012, the Bank has committed an amount of ₹ 59.25 crore to 18 MFIs out of the ₹ 100 crore fund. The fund is expected to be fully committed/utilized in FY 2013.
- In line with the RBI instructions on Fair Practices Code (FPC), NBFC-MFIs were required to put in place, board approved modified FPC for information of the public.
- Keeping in view the revisions in the lending rates in the financial sector, the interest rate structure under the Micro Credit Scheme (MCS) and Micro Enterprise Loans (MEL) scheme was revised and the interest rates were fixed in the band of 13%-14%.

SIDBI-Sewa Bank MEL collaboration was launched at a function held at Head Office of Shri Mahila Sewa Sahakari Bank Ltd., Ahmedabad

- With a view to encouraging the borrowers to increase transparency, cutting delays and making electronic payments to banks, staff vendors and other stakeholders, a clause on repaying of the loan electronically (except where NEFT/RTGS facility is not available) has been incorporated in the loan agreements.

Operations of SFMC

SIDBI set up SIDBI Foundation for Micro Credit (SFMC) in 1999 to cater to the huge unmet demand for micro finance. The primary objective of SFMC is to "create a national network of strong, viable, and sustainable Micro Finance Institutions (MFIs) for providing micro finance services to economically disadvantaged people of India, especially women". SIDBI took the initiative to nurture, develop, strengthen and ultimately partner with more than 140 MFIs. The Bank's micro finance programme is perceived as a "Credit Plus" programme and hence, does not restrict itself to funding alone. The Bank's services include not only meeting the financial needs of MFIs with structured, value-added products, such as, Term Loans, Transformation Loans, and Equity Support, but also providing capacity building grants as well. Micro finance programme of the Bank, that serves the poor, is implemented with long-term focus on commercial viability and is acting as an important vehicle for realizing the Millennium Development Goals. SIDBI's micro finance programme will cater to unmet need of urban and semi-urban areas through innovative mechanism.

Initiatives in the underserved States including North-Eastern Region

Taking cognizance of the regional growth asymmetry in the sector and with a view to upscaling and widening the outreach of the micro finance operations, the Bank has been constantly taking several proactive steps to increase the flow of assistance to hitherto underserved areas, viz. North Eastern Region (NER), and in States like Rajasthan, Uttar Pradesh, Madhya Pradesh, Uttarakhand, Bihar, West Bengal, Jharkhand, Orissa, Chattisgarh, etc. These include development of local MFIs, inducing larger MFIs from the Southern states to expand outreach in underserved areas, intensifying its effort in identifying suitable MFIs who have the potential of becoming long term partners and providing need based capacity building support to MFIs.

During the year under review, there were 76 MFIs in the underserved States. The aggregate assistance sanctioned by way of term loans to MFIs in the underserved States, during the year, stood at ₹ 407.25 crore. The share of these States is 25.34% in the total outstanding portfolio under micro finance in FY 2011-12. In NER, the Bank assisted 11 MFIs, besides 70 loan cases under Micro Enterprise Loans (MEL).

Portfolio Risk Fund

The Government of India has committed support of ₹ 150 crore under Portfolio Risk Fund (PRF) Scheme, which is being utilised by the Bank for meeting 7.5% of the term loan towards security cover (against the normal requirement of 10%) of the MFIs requirements under Micro Credit Scheme for providing loan assistance to MFIs in the underserved states. The scheme which was originally extended to cover the entire country has since been made applicable to the underserved States and underserved pockets/ districts in other states (with emphasis on SC, ST, Minority, OBC and women) with effect from July 01, 2008. The PRF corpus is available for a period of 5 years with effect from FY 2007 and aims to cover 50 lakh beneficiaries throughout the country.

Under PRF, the loan disbursement to eligible MFIs, during the year, stood at ₹ 74.15 crore, with utilization of ₹ 5.56 crore of eligible disbursement. The assistance covered under PRF, during the year, has benefited 0.70 lakh clients spread across 3 States. Cumulatively, as on March 31, 2012, the disbursement to eligible MFIs under PRF stood at ₹ 1,592.23 crore, thereby utilizing ₹ 119.42 crore, being 7.5% of eligible loan disbursements.

International Collaborations

The Bank has signed an agreement with Kreditanstalt fur Wiederaufbau (KfW), Germany for loan support of EUR 85 million and Technical Assistance for improving access to microfinance products in India among the poor, particularly women. The loan component of the support is being used to provide loans to MFIs for on-lending. The Technical Assistance component is being used to provide training to assisted MFIs, creation of a web-based platform, development of a risk assessment module, select capacity building interventions in the area of transfer of industry benchmarks, best practices to assisted MFIs and for carrying out of loan portfolio audits / system audits of the Bank's assisted MFIs, as a prudent risk management measure.

The Bank has entered into collaboration with Asian Development Bank (ADB) for loan support of USD 50 million which would provide SIDBI with long tenor funding to support the vital "Missing Middle" through specific financing programmes. The loan is accompanied by Technical Assistance of upto USD 3 million from Japan Fund for Poverty Reduction.

With a view to upscaling the micro credit portfolio, SIDBI has contracted a loan of USD 300 million from the World Bank, including USD 200 million from International Bank for Reconstruction and Development (IBRD) and SDR equivalent of USD 100 million from International Development Association (IDA). The project titled "Scaling Up Sustainable and Responsible Micro finance" aims at scaling up access to sustainable micro finance services, particularly to clients in the underserved areas of the country through, among others, introduction of innovative financial products and fostering transparency and responsible finance.

Poorest States Inclusive Growth (PSIG) Programme

SIDBI has been awarded the contract for Design and Implementation of PSIG programme by DFID, UK. The programme aims to enhance the income and employment opportunities of poor women and men in 8 low income States by enabling them to participate and benefit from wider economic growth in India. The purpose of the programme is to improve income, and reduce vulnerability, of poor people and small producers, by expanding their access to finance and markets. PSIG has two separate, interlinked components:

Component 1: Financial Inclusion and women's empowerment: The programme (duration of 6 years) shall improve access for poor men and women to a variety of financial services in the 4 low income states (Bihar, Orissa, Madhya Pradesh and Uttar Pradesh); will facilitate improving the policy environment for microfinance and will empower women in terms of improved financial literacy, legal entitlements and other gender related issues.

Component 2: Impact Investments: The programme will promote businesses that increase the income of, or services to, the poor in 8 low income Indian states (Bihar, Orissa, Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Jharkhand, Rajasthan and West Bengal). The investments will be in the form of debt, equity, venture capital and guarantees.

PSIG is expected to leverage private sector financial and technical resources to reach up to 12 million direct and indirect beneficiaries. The programme's investments in enterprises in the 8 poorest states will result in better opportunities for the poor to benefit as producers, consumers or skill providers.

SIDBI's Initiatives on Responsible Micro financing

SIDBI has always played a pioneering role in the laying down standards for the sector through measures like concept of rating, portfolio audits, code of conduct, etc. Responsible Lending has been the Bank's top priority and the endeavour on spearheading the issue of responsible finance amongst the assisted MFIs was initiated much before the sectoral set-back seen in Andhra Pradesh. Promoting responsible finance and adherence to a laid down Code of Conduct is a major intervention by SIDBI, with support from the World Bank.

As part of its responsible finance initiative, SIDBI has created a 'Lenders' Forum comprising key MFI funders with a view to promote cooperation among MFI lenders for leveraging support to MFIs across the sector to promote more responsible lending practices. All the major lenders of MFIs have agreed to work together to impress upon the MFIs to implement them through a common set of loan covenants. Banks have also agreed to strictly examine and continuously monitor field level practices of their assisted MFIs like adherence to KYC norms, etc. Further disbursements to MFIs would be linked to strict compliance thereof. Pursuant to the initiatives of SIDBI, regional chapters of 'Lenders Forum' have been set up for better co-ordination amongst lenders and closer interaction with the MFIs.

SIDBI, along with the industry associations for microfinance in India, viz. Micro Finance Institutions Network (MFIN) and Sa-Dhan, has put in place the unified Code of Conduct (CoC) for MFIs in the country. The CoC is the sector's initiative at self-regulation and encompasses all organizations engaged in extending financial services to the underserved sections of the society, irrespective of their legal form of incorporation and size of portfolio. The code mandates MFIs to provide low income clients with access to financial services that are designed to meet their needs and are delivered in a manner that is ethical, transparent and respectful of client's dignity and right to privacy of information. The code has come at an opportune time and is an important step towards aligning the business practices in the industry to the regulator's expectations. It is expected that the code will be instrumental in reinstating the faith of the stakeholders in the MFIs and give the sector a much needed stimulus.

SIDBI has also undertaken a market development exercise for the CoC assessment of assisted MFIs. Sixteen assessments have since been undertaken by independent agencies, viz, Prime M2i Consulting Ltd., Micro Credit Ratings International Limited, ICRA Management Consulting Services Limited, Access ASSIST and SME Rating Agency of India Ltd. Reports of 13 agencies have since been completed and placed in the public domain.

SIDBI has partnered with ACCION International and is supporting the Smart Campaign, which is a global effort to embed a set of Client Protection Principles (CPPs) amongst MFIs. The initiative entails three activities, viz– educating the assisted MFIs on CPPs; conducting Client Protection Assessments (CPAs) and capacity building and strengthening client protection amongst the MFIs. This partnership with SIDBI has helped ACCION to enter into a collaboration with International Finance Corporation (IFC), Sa-Dhan and MFIN on similar initiatives under the Smart Campaign.

The Bank has entered into an agreement with the MIX Market for setting up of the India Microfinance Platform (IMFP), which is a global, web-based, microfinance information platform to provide and disseminate valuable information on the Indian MFIs. The MFIs are required to submit financial and operational data, including HR/remuneration expenses, at certain intervals in a standardized format, thus enabling higher degree of transparency / disclosures with ease.

SIDBI had commissioned a detailed study titled "A study on the cost of funds, cost of delivery, margin and Annual Percentage Rate to eventual beneficiaries of assisted MFIs" on the interest rates being charged by 30 assisted MFIs spread across various geographical areas with different legal status and lending models. The study mainly focused on the transaction cost under various models of micro credit versus cost of funds of MFIs, cost of delivery, risk, compensation and other related issues. The main conclusions of the study are given in a separate Box No. 1.

Box No. 1 – Conclusion of a study on the cost of funds, cost of delivery, margin and Annual Percentage Rate to eventual beneficiaries of assisted MFIs

- The Annual Percentage Rate (APR) reduces as the institution achieves scale.
- Higher transaction and financial costs for Tier-II MFIs (having clients more than 50,000 but less than 2,50,000) have led to relatively higher APRs in this category. Further, these institutions are in the growth phase and have already invested in their expansion as a result of which, they tend to have comparatively lower margins.
- The start-up institutions need to be supported till they achieve viable level of operations. Further, the analysis shows that financial institutions/ social investors may be inclined to invest in Tier-II institutions and few of Tier-III institutions which are in the growth phase and in the process of transition.
- With the interest rate caps, the profitability of the MFIs may not be as high as it was earlier which may affect their ability to attract equity. However, with the regulations and transparency for the sector in place, the investors would be encouraged to invest in a better way. Further, the consortium of lenders and other financial institutions will have an enabling role to play in ensuring that domestic equity funds are available, especially to Tier-II and Tier-III MFIs by augmenting their equity funds.
- Although for Tier-I and Tier-II institutions, internal audit and branch rating systems are in place, there is a need for most Tier-II and some Tier-III institutions to have robust internal audit and

control systems. Such organizations should continue to receive support from development institutions to set up and operationalise these processes.

- Further, detailed analysis of different repayment frequencies highlights that institutions following weekly repayment frequencies have the maximum Operating Efficiency Ratio (OER) and institutions following fortnightly/ monthly repayment frequencies have a lower OER. Also, with the RBI guidelines in place and emphasis on decreasing the costs, there are chances that that the institutions following weekly repayment schedule may change to fortnightly/monthly repayment frequencies.

PROMOTIONAL & DEVELOPMENTAL (P&D) SUPPORT

In its endeavour towards holistic development of the MSME sector, SIDBI adopts a 'Credit Plus' approach wherein, besides credit, the Bank also provides grant support for the promotion and development of the sector to make it strong, vibrant and competitive in the international markets. Towards this, during FY 2011-12, the ongoing Rural Industries Programme (RIP) was comprehensively redesigned and renamed as Micro Enterprises Promotion Programme so as to make it more aligned with the business objectives of the Bank.

The Promotional & Developmental (P&D) activities of the Bank are designed towards creation and strengthening of enterprises. Some of the major initiatives are given below:-

- **Strengthening Rural Enterprises -** Micro Enterprises Promotion Programme (MEPP) (erstwhile Rural Industries Programme) is the flagship programme of the Bank, for creation of rural employment through the use of comprehensive enterprise support services for the benefit of rural entrepreneurs. It aims at promoting viable rural enterprises leading to employment generation in rural areas through use of local resources. MEPP has been implemented in 121 districts in 24 States as on March 31, 2012. Cumulatively, more than 38,000 enterprises have been promoted, including over 1180 units during the year. These enterprises have generated employment opportunities for over 1.07 lakh persons.
- **Enterprise Development -** Enterprises Development Programme (EDPs) aim at building and nurturing a reservoir of entrepreneurs, while creating a cadre of bolster entrepreneurship and promotion of self-employed ventures capable of generating employment opportunities, especially in far-flung and rural areas targeting less privileged sections of the society like women and SC/ST. Most of these EDPs have been conducted in the semi-urban/rural areas. As on March 31, 2012, the total number of EDPs supported by the Bank, since inception, for various target groups was 2,894, covering more than 72,850 participants. During the year, 63 EDPs were supported by the Bank in which 2,024 beneficiaries were trained. Most of these EDPs have been conducted in the semi-urban/rural areas. The success rate of Bank supported EDPs has been in the range of 50% to 55%. Cumulatively, about 36,000 participants have either set up their own unit or have been gainfully employed in the sector.

- **Skill Development -** With a view to strengthening the technical and managerial capacities of the MSME entrepreneurs, the Bank supports reputed management / technology institutions to offer certain structured management / skill development programmes, viz . Skill - cum - Technology Upgradation Programme [STUP] and Small Industries Management Programme [SIMAP]. STUP aims at enhancing technology profile of MSME units and SIMAP targets qualified unemployed as well as industry-sponsored candidates, with the overall objective of providing competent managers to the MSME sector. As on March 31, 2012, the total number of Skill-cum-Technology Upgradation Programmes (STUPs) and Small Industries Management Programmes (SIMAPs) supported by the Bank since inception were 1,504 and 295, respectively, benefiting about 39,690 participants. During the year, 16 STUPs and 3 SIMAPs were supported covering about 550 beneficiaries. The programmes have benefited a large number of young bright potential entrepreneurs and most of the participants have joined the MSME sector.


Skill Development Programme at Raibareilly

  An exclusive training centre, viz. Management & Skill Development Institute (MSDI) is in operation, jointly set up by SIDBI and Union Bank of India, at Jangipur in the Murshidabad district of West Bengal. So far, the Centre has conducted 22 Skill training progammes [viz. garment making, soft toys making, beauty parlour, artificial jewelry, food processing etc.] benefiting about 483 participants mostly belonging to underprivileged sections of the society including women and from minority communities.

- **Cluster Development -** SIDBI has supported more than 75 Cluster Development Programmes (CDPs) in various clusters all over India. The paradigm shift in supporting CDPs during the last few years is basically from technology centric to a more comprehensive cluster development approach which includes management practices, establishment of marketing linkages, product/design development, skill upgradation in different technical trades, etc. Besides enabling MSMEs to achieve economies of scale through the cluster financing approach, cluster centric approach also facilitates development of infrastructure. In its endeavour in continuing to meet the evolving needs of this vibrant sector, during the year, the Bank provided skill and entrepreneurial training to the local artisans in 10 clusters (including 9 clusters in NER) in the field of eri silk weaving, handicraft, pottery, banana extraction, tourism, pottery, food processing and ladies footwear.

- **Minority Cell**

  As per the recommendations of Sachar Committee, a Minority Cell has been established at the Bank's Head Office. The field offices have been advised to cover maximum number of participants from minority communities under various P&D activities. The MEPP in the Government notified minority focused district of Kishanganj in Bihar is under implementation, wherein about 55 units were set up during the year. Further, the Bank has extended assistance for conduct of exclusive training programmes on dress making, embroidery, electrical, artificial jewelry, etc. during FY 2011-12.

About 200 participants from the minority communities have directly benefited from 19 developmental programmes during FY 2011-12.

MSME Financing and Development Project (MSMEFDP) - SIDBI is implementing a multi-agency / multi-activity MSME Financing and Development Project (MSMEFDP). The Department of Financial Services, Ministry of Finance, Government of India is the Nodal Agency for the Project. The World Bank; Department for International Development (DFID) UK; Kreditanstalt für Wiederaufbau (KfW) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Germany are the international partners in the Project. The primary objective of the Project is to meet both the demand and supply side concerns of MSMEs through a judicious blend of financial and non – financial services. The progress of the Project has been quite noticeable as it has so far reached out to more than one lakh beneficiaries (direct / indirect) comprising MSMEs and stakeholders (including Banks / FIs, Business Membership Organisations (BMOs), etc. The Project has two major components: Credit Facility (CF) by World Bank (also includes Risk Sharing Facility component) and KfW and Technical Assistance (TA) by DFID, UK; KfW and GIZ, Germany.


A project dissemination workshop at Gopalpur, Odisha at cashew and Kewda cluster

- **Capacity Building of the MSME sector**
  - **Credit Information and Credit Rating -** To strengthen the credit information system on MSMEs (for Credit Supplementation), the Project has supported Capacity Building (CB) of Credit Information Bureau (India) Ltd. (CIBIL), SME Rating Agency of India Ltd. (SMERA) and development of Credit Appraisal and Rating Tool (CART). CIBIL has been able to increase its members and MSME Database to over 714 (about 214 added during FY 2011-12) and 7.5 million (About 2.3 million added during FY 2011-12), respectively. The total number of Credit Information Reports generated has gone up over 24,000 per month which indicates its increasing efficacy in credit dispensation. Leveraging Project support, SMERA has been able to not only undertake experiments in its model but has evolved as a sustainable entity. Besides achieving high visibility among MSMEs, SMERA has enhanced its acceptability among MSMEs. In FY 2011-12, cumulatively, SMERA completed more than 15,000 ratings.
  - During FY 2011-12, a study was also conducted on 'Corporate Governance' aimed at helping

FIs to strategize their policies towards MSME growth.

- **Address information asymmetry -** Knowledge Series (MSME Credit Card, etc.), Policy Papers (Global Best Banking Practices in MSME Financing and Development, Factoring, Skill Development, etc.), Toolkits (e.g. Walk-in-Kit for Corporatization of MSMEs, web based Startup-kit for budding entrepreneurs, How to link up MSMEs with Retail Chains) etc. were developed (overall 30+ and 11-12 during FY 2011-12) and disseminated. A robust knowledge bank has been developed on SIDBI website www.sidbi.in and project website www.msmefdp.net where tool kits, knowledge series and policy documents have been made freely accessible.
- **Capacity building of banks –** SIDBI has supported banks / FIs / SFCs for training of officials in MSME lending, innovation in the delivery mechanisms, modifying processes, launching new products, etc. in the areas of ESMF, Credit Scoring, Credit Information (data input, report interpretation /analysis etc.), CSR, etc. During FY 2011-12, the Bank supported a downscaling project, wherein a new methodology, integrated software for appraisal and accounting including operations and training of manpower was covered for missing middle (small loans between ₹ 50,000 to ₹ 10 lakh).
- **Marketing Activities –** The Bank supported 53 relevant exhibitions / seminars / events during the year benefiting more than 5000 MSME entrepreneurs, which include 3 international trade fairs. The state-of-the-art building of Karnataka State Small Scale Industries Association (KASSIA) at Bangalore, partly funded by SIDBI is also being used for various marketing related programmes for the MSMEs of the region.
- **Support for Green Energy -** The Bank has extended grant support to Integrated Association of MSME of India, Faridabad for installation of solar photo voltaic panels in its office premises to promote usage of green energy among MSMEs.
- The Bank has also supported Rajasthan Stainless Steel Re-Rollers Association (RSSRA) for development of its website, setting up of a Computerised Information Centre in its office at Jodhpur for the benefit of member MSMEs.

SIDBI's Support for North Eastern Region (NER)

The Bank accords special and focused attention to the development of North Eastern Region (NER) in terms of micro finance, rural industrialisation, handicraft cluster development, entrepreneurship development, marketing support etc. During the year, total assistance of ₹ 33.20 lakh was extended under various programmes in NER, which are briefly given below :

- Under the Bank's Flagship P&D Programme, viz. MEPP, 22 districts in NER have so far been covered, out of which, 10 are currently under implementation. These MEPPs have cumulatively resulted in promotion of about 2,500 units including 223 units during FY 2011-12.
- The Bank has supported 39 Cluster Development Programmes (CDPs) in different states of NER

covering activities like bamboo mat weaving, carpet weaving, handicrafts, handloom weaving, etc. These cluster development initiatives would benefit about 6,000 artisans. Out of the above, skill and entrepreneurship training programmes are presently being conducted in 9 different clusters of NER.

- A Micro Enterprise Business Information Counsellors (MEBIC) Centre has been set up by SIDBI at Guwahati for fostering entrepreneurship by providing counseling, initial handholding and development of micro enterprises in NER. Rashtriya Gramin Vikas Nidhi (RGVN) has been supported for operating this Centre. Till March 31, 2012, the Centre has rendered service to more than 1,400 existing and prospective micro entrepreneurs.
- Further, a Memorandum of Understanding was executed with NEDFi in March 2012 for providing various financial and developmental services including MSME finance, Micro Finance and also for undertaking various P&D activities in NER. Under this arrangement, Credit Counseling Centres were also opened. There are five such centres in operation in NER, which includes Shillong (Meghalaya), Silchar (Assam), Aizawl (Mizoram), Gangtok (Sikkim) and Agartala (Tripura).

Outlook

SIDBI has, over the years, played a pioneering role in developing the micro finance sector. In the beginning, the intervention was in the nature of small loans and grants to different agencies involved in various developmental activities including micro credit and moving towards the growth phase when SIDBI provided need-based financial assistance by way of loans to MFIs along with customized package of capacity building grant tailored to the needs of the promoting responsible financing would continue to be the focus in all future funding to the sector. Assistance to MFIs would be channelised through new and improved delivery models which cater to the requirements of the beneficiaries through redesigned business strategies. Major areas of intervention would include support in the areas of client education, upgradation of technology, product development, conducting of financial literacy programmes, capacity building of Partner Financial Institutions and assisted beneficiaries.

The Bank would continue to provide thrust on the "Missing Middle" segment to help the segment be a part of the country's inclusive growth plan. SIDBI's focus on women entrepreneurs is also set to increase with launch of the Micro Enterprise Promotion Programme which would lead to employment generation in rural/underserved areas in the 5 target States under the ADB collaboration. Further, the Bank would continue to support capacity building and developing/ supporting of intermediaries to take up lending to micro enterprises in a big way by providing manpower training, adoption of implementation techniques developed internally by the Bank under the Downscaling Project and implementation of related software, etc.

Focused and expeditious utilization of balance funds under "India Microfinance Equity Fund" would provide timely help to smaller MFIs in attaining sustainability in their operations.

Even though the sector is presently faced with various challenges including contagion risk and credit risk, yet the positive silver lining is clearly visible in the form of balanced quality growth, clearly laid out regulatory and operating guidelines, effective redressal of the present inadequacies, etc. Collaborative efforts are required amongst all stakeholders to forge partnerships to help the sector bounce back with new found vigour as an effective poverty alleviation tool. SIDBI would continue to provide need-based support for resurrection of the micro finance sector.

While the developmental needs of the MSME sector are extremely heterogeneous, the Bank has continued to play the supporting role effectively over the years so as to promote entrepreneurship and improve the overall competitiveness of the sector. The Bank's P&D activities encompass various instruments, which provide an opportunity to reorient the sector on competitive lines. The Bank's focus in this area would continue with enhanced support for rural development, as also the development of NER and other backward regions with special thrust on minorities and backward categories.

SIDBI would continue to identify the gaps in the MSME clusters and address those gaps through innovative solutions viz. loan syndication, capacity building of MSME sector, common facility centre, cluster diagnostic studies, credit facilitation centre, credit counseling and advisory services including market information, supporting skill development institutes, supporting incubation and innovation centres, setting up of website to address information asymmetry for the prospective and new entrepreneurs, coming out with various studies / reports / web-based solutions to address information gap, etc. These developmental initiatives would not only address the emerging needs of the sector, but also will create employment opportunities in this productive sector of the economy.

4

Management and Corporate Governance

Management and Corporate Governance

SIDBI, being the principal financial institution for the MSME sector, not only imbibes the corporate social responsibility and good corporate governance within, but also inculcates the same in the MSME sector and the institutions it deals with. SIDBI has been constantly interacting with all its stakeholders for attending to the key priorities and pressing needs / gaps in the MSME eco-system. The highlights of its good corporate governance system are given below:

SIDBI participated at the India International Banking and Finance Summit held at London, UK.

Board of Directors / Committees of the Board

The Small Industries Development Bank of India (Amendment) Act, 2000 provides for a fifteen-member Board of Directors. Out of these, eight Directors are appointed / nominated by the Central Government comprising Chairman and Managing Director (CMD), two whole time Directors, two Government officials and three experts (including one from State Financial Corporations) having special knowledge or professional experience. Out of the remaining seven Directors, three are nominated by the three largest shareholding institutions, banks and insurance companies owned or controlled by the Central Government, while four are elected by the public shareholders or alternatively, can be co-opted by the Board until assumption of charge by the elected Directors. The Board, as on June 30, 2012, comprised twelve Directors, including CMD and a Whole Time Director.

Shri Rakesh Rewari, Deputy Managing Director (DMD), SIDBI, on attaining the age of superannuation, demitted the office as at the close of business on August 30, 2011 (August 31 being a holiday).

In exercise of the powers conferred by Section 6(1)(c) of the SIDBI Act, 1989 (39 of 1989), the Central Government appointed Shri Amarendra Sinha, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises, as a Director on the Board of SIDBI with effect from January 23, 2012 vice Dr. Shyam Agarwal. Further, the Central Government, in exercise of the powers conferred by Section 6(1)(e) of the SIDBI Act, 1989 (39 of 1989), appointed Shri Anil Agrawal as a Director on the Board of SIDBI with effect from June 14, 2012.

Shri M. Balachandran, co-opted as a Director on the Board of the Bank under Section 6(1)(f) of SIDBI Act, retired from the directorship w.e.f. May 29, 2012 on completion of his tenure. Shri Vikas Raj ceased to be MD of APSFC with effect from January 9, 2012. The State Bank of India, in exercise of the powers conferred by Section 6(1)(d) of the SIDBI Act, nominated Shri J. Chandrasekaran as its nominee Director on the Board of SIDBI with effect from June 29, 2012 vice Shri K. Sitaramam.

The Board placed on record its high sense of appreciation of the valuable contributions made by Shri Rakesh Rewari during his tenure as DMD and Dr. Shyam Agarwal, Shri M. Balachandran and Shri K. Sitaramam during their tenure as Directors of SIDBI.

With the objective of giving focussed attention to various important issues, the Board has constituted six Committees, viz. Executive Committee (EC), Audit Committee (AC), Risk Management Committee (RiMC), Committee for Supervision of SFCs (CfS), Special Committee to Monitor Large Value Frauds (SCMLVF) and Information Technology Strategy Committee (ITSC). Sanctions relating to credit proposals above a threshold limit and other such operational matters are considered by the EC. The AC, in addition to overseeing the functioning of the Audit Department and reviewing its major observations, also provides guidance in matters relating to finalisation of accounts of the Bank and observations made in RBI Inspection report. The RiMC lays down policy and strategy for Integrated Risk Management of the Bank. The CfS guides the Bank in respect of all the policies / matters pertaining to State Financial Corporations. With a view to providing focused attention on monitoring of frauds involving amounts of rupees one crore and above, SCMLVF has been constituted in terms of the guidelines of Reserve Bank of India. The ITSC gives direction to the Bank's IT function, especially with regard to IT vision, policy and strategy so as to align with business objectives. In addition, the Committee also guides the Bank in framing its long term IT plan and provide oversight of IT implementation and management. Minutes of the meetings of the Committees, containing decisions made, are submitted to the Board.

The Board held six meetings during the year while the Committees of the Board, viz. the Executive Committee, Audit Committee, Risk Management Committee, Committee for Supervision of SFCs, Special Committee to Monitor Large Value Frauds and Information Technology Strategy Committee held seven, six, three, two, four and seven meetings, respectively. Besides, SIDBI held its 14th Annual General Meeting on June 29, 2012 at Lucknow.

The Government of India (GoI) introduced performance incentive scheme for the whole time Directors of the Bank and for that purpose, as per the directives of GoI, a “Remuneration Committee” of Board of Directors has been constituted. The Committee met once during the year.

Shareholding Pattern

The shares of SIDBI are held by thirty three institutions / public sector banks / insurance companies owned or controlled by Central Government, with Industrial Development Bank of India Ltd., State Bank of India and Life Insurance Corporation of India as its three largest shareholders. The shareholding pattern of SIDBI remained unchanged during the year.

Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) of the Bank is headed by the Chairman & Managing Director and comprises Deputy Managing Director, Executive Director and other senior executives of the Bank heading Risk Management, Credit, Resources & Treasury and Information Technology Departments as its members. ALCO, inter alia, reviews and monitors the liquidity risk and interest rate risk in the Bank from time to time. The ALM system in the Bank is guided by the extant RBI guidelines and the ALM Policy of the Bank. The ALM Policy is reviewed from time to time to bring in necessary changes in line with extant regulatory requirements and the changing asset liability profile of the Bank. The Committee met / discussed on twenty seven occasions during FY 2011-12 and deliberated on various issues, such as, market risk on investment portfolio, revision in interest rates on Fixed Deposits, movement in NII / NIM of the Bank, review of Resource Plan, review of Benchmark Prime Lending Rate, hedging of foreign currency liabilities, fresh borrowings and cost thereof, etc.

Investment Committee

The Investment Committee of the Bank formulates strategies as well as recommends various investment options with regard to the Bank's investment portfolio within the sphere of the Investment Policy of the Bank and relevant RBI guidelines issued from time to time. The Investment Committee met fifteen times during FY 2011-12 to, inter alia, to deliberate upon various investment proposals, fixing of floor price for sale of shares and for other investment related issues.

Internal Audit

Internal Audit of the Bank plays a pivotal role in strengthening Corporate Governance and complying with management objectives to strengthen internal control and improve Risk Management.

Internal Audit Department (IAD) has been carrying out Operational Audit (OA) of Branch Offices (BOs) and select HO departments, Management Audit of Regional offices earlier Zonal Offices (ZOs) / Head Office (HO) Departments, Transaction audit of Debt Servicing Activities of Resources Management Department (RMD), Information Systems (IS) Audit, etc. on a regular basis. Besides, IAD reviews the monthly Concurrent Audit reports of Resources Management Department (RMD) being carried out by an external audit firm. Concurrent Audit of RMD covers the Treasury Operations, viz. Money Market Operations (MMO) and Dealing Room Operations (DRO). The Bank is also undertaking Credit Audit, in respect of Accounts under Direct Credit Schemes where Bank's exposure is above ₹300 lakh and in 10% of the cases, on sample basis, where outstanding is less than ₹300 lakh, through Regional Offices (earlier Zonal Offices). The IS audit activities taken up during FY 2011-12 are (i) Application Software Audit of some modules of Enterprise System Architecture (ESA) applications,(ii) IT Control Review of 23 offices including Data Centre & DR Site and (iii) Network & Security Audit of Data Centre and DR Site.

During the year, 166 audits comprising 97 OAs, 22 Management Audits including Management Audit of Internal Audit Department, 12 Concurrent Audits of RMD, 12 TAs of debt servicing activities of RMD and 23 IS Audits were completed, as per the approved schedule for FY 2011-12. Besides, 405 Credit Audits were undertaken during FY 2011-12 as per guidelines. IAD is effectively coordinating the compliance of observations made by Statutory Auditors and RBI Inspection Team in close coordination with Corporate Accounts Department and RBI Inspection Cell.

During conduct of audit, compliance to KYC guidelines, verification of end use of funds, creation of assets, adherence to guidelines, systems & procedures, etc. are given due focus.

Some of the major initiatives undertaken during FY 2011-12, so as to strengthen the internal audit mechanism of the Bank are as under:

- An updated Internal Audit Manual was introduced.
- During FY 2011-12, for the first time, as desired by ACB, Concurrent Audit was introduced on pilot basis in 10 major Branch Offices, which together account for more than 50% of the Direct Credit operations of the Bank.
- With a view to identify the weak areas relating to security aspects of BOs and initiate appropriate steps to mitigate the risk, security audit has been introduced for the first time.
- As per the directives of Reserve Bank of India and in accordance with the requirement of Pillar-II of Basel Committee - II recommendations, Risk Based Audit in respect of all operating branches was introduced. In terms of the same, the BOs were classified under Low, Medium or High Risk on the basis of operational and compliance risk areas. In the overall risk assessment and risk categorisation of BOs, both the Credit Risk, Operational Risk, incidents of fraud cases, etc. are being factored. The periodicity of Operational Audits in respect of High Risk branches is being stepped up irrespective of their volume of operations.
- To strengthen the customer service aspects and to attend to their issues promptly, customer service policy was revisited and Customer Service Committees constituted in major BOs.

IAD submits various memoranda to Audit Committee of the Board (ACB) as a measure of good Corporate Governance. During the year, ACB met 6 times to discuss the memoranda submitted as per the Annual Calendar.

Human Resources

Personnel

As on March 31, 2012, the Bank had on its rolls a total of 1027 active full time staff comprising 863 Officers, 92 Class III staff and 72 Subordinate staff. Of the total staff, 181 belonged to Scheduled Castes (SCs), 70 to Scheduled Tribes (STs) and 132 to Other Backward Classes (OBC). The staff strength included 11 employees in ex-servicemen and 17 employees in Persons with Disabilities (PwD) categories. The strength of women employees is 223.

The Bank generally deputes its officers to other partner institutions on selective basis to develop synergy and share experience in the broader interest of MSME development as also to explore the possibilities of niche product concepts feasible in the overlapping domain of the institutions. The Bank has deputed its officers to occupy strategic positions in its various associates/subsidiaries and outside partners, viz. Rashtriya Mahila Kosh (RMK), Odisha State Financial Organization (OSFC), India Infrastructure Finance Company Ltd. (IIFCL) and also to National Stock Exchange (NSE).

Training & Career Development

Training of employees has always been an integral part of Learning & Development towards upscaling the skill level of manpower and to cope with the changing business environment and contribute effectively towards organizational goal. The focus of training during the period was to build the skills and competencies of maximum number of employees of the Bank across grades, departments, zones and branches. As in the past, the Bank continued to impart training by deputing its employees to (i) in-house training programmes, (ii) inland training programmes / workshops conducted / organized by reputed national institutions within the country and (iii) international programmes.

Training on Audit

During FY 2011-12, the Bank deputed 633 officers to various in-house, inland and international training programmes (including repeat programmes) organised by renowned training / academic institutions with a view to upgrade the existing skill set of its staff. A total of 1056 nominations were made by the Bank for the various training programmes. Based on the job profiles of the employees, the gaps in their skill sets, as also Bank's entry into new areas of business, the Bank made 678 nominations (out of 1056 nominations as indicated above) to various in-house training programmes.

Further, nominations also include 362 to various training programmes of relevance to the Bank, in reputed institutions like Institute of Public Administration(IPA), Foreign Exchange Dealers' Association of India, NIBM, IIM- Ahmedabad, Asian Development Bank, etc.

The Bank also deputed 16 officers overseas to familiarize them with the international practices in the areas of Banking, Finance, Management, Microfinance, etc. The topics like Investment and Innovation in Microfinance, Green Banking, Planning and Monitoring for Cluster Development Initiatives were covered during the programmes. SEEP Networks Conference on Saving Enterprise & Market Development, ADB's programme on Financial Asset and Liability and Risk Management are a few of the thrust programme conducted during the FY.

Customer Service & Grievance Redressal

The Bank has put in place a Grievance Redressal Mechanism as a part of Fair Practices Code for Lenders adopted by it. In order to promote greater interface with the general public, the Bank has also introduced a facility on its website whereby general public can submit their grievances and complaints against the Bank and/or its constituents. A senior officer of the Bank has been designated as the Chief Grievance Officer of the Bank. Further, SIDBI has also implemented Government of India's Centralized Public Grievance Redressal and Monitoring System (CPGRAMS) for prompt and effective online redressal of grievances of citizens of India. The details of such grievances received and action taken thereon are being reported to the Board on quarterly basis.

Staff Welfare Activities

During FY 2011-12, the Bank continued its commitment to staff welfare and pursued multifarious welfare activities for the staff members and their families. Under the guidance of Central Welfare Committee, funds were allocated to welfare associations of various offices of the Bank to organize welfare activities for the staff and their families. Greater thrust was laid on organizing more welfare activities for family members of the staff under the Staff Welfare Fund.

Formulation of HR Plan as per the recommendations of Khandelwal Committee

The Government of India (GoI) had constituted a Committee on October 22, 2009 under the chairmanship of Dr. A. K. Khandelwal, former Chairman & Managing Director, Bank of Baroda, to conduct a study on the HR issues of PSBs and make appropriate recommendations thereon. The Committee recommended comprehensive reforms in HR and suggested that an HR Plan incorporating its recommendations shall be prepared and got approved by the Board of Directors of the Bank. Based on the recommendations of the Committee, initiatives were taken by the Bank to formulate a comprehensive HR Plan and policies in the areas of recruitment and transfers and to revisit the existing Promotion and Switchover policies of the Bank.

Computerisation

Emphasis was given to increase operational efficiency of system applications to improve over all response time to the customers. Necessary infrastructure upgrade was done to speed up the performance. An important achievement has been stabilization of Flexcube Core Banking Solution post implementation. Implementation of work flow based 'Lending Automation and Processing System' (LAPS) was taken up covering the process from 'application inward' to 'sanction', helping measure and control turnaround time 'TAT' for application processing. Several activities were taken up as part of e-Governance and Green Initiative in the Bank, e.g. facilitating transactions through electronic channel, sending 'demand advice' through e-mails and extending Video Conferencing (VC) facility to further 32 locations of the Bank, making total number of VC enabled offices to 62, for providing faster and cost effective communication channel to Branches and Departments. A drive was initiated to handle all payments / receipts using electronic channel so as to move towards chequeless payment / receipts. The efforts will be continued. Some new modules / changes were implemented, e.g. introduction of handling charges, accrual of Interest on monthly basis, booking penal interest on accrual basis, software for third party entities (TPEs) - facilitating due diligence for TPEs and certain new exception alerts assisting the Branches to effectively monitor NPAs, etc. 'Integrated Risk Management Software' and workflow based software for Micro Enterprise Loan was also implemented in the Bank. Live test of IT Disaster Recovery site was successfully completed for all the critical applications available at Data centre. User awareness was given prime importance during the financial year.

Activities of Vigilance Department

The vigilance set-up in SIDBI is headed by a full-time Chief Vigilance Officer [CVO] appointed by the Ministry of Finance, Government of India. CVO is assisted by the Vigilance Team at Head Office, Lucknow and Zonal Vigilance Officers of respective Zones. The Vigilance Department lays emphasis on the preventive vigilance aspects and has taken several initiatives focused on review of extant systems and procedures. The objective has been to strengthen the credit delivery and monitoring mechanism and to make the decision making process transparent, fair and equitable. Preventive Vigilance Committees at the Zone/ Branch Offices and the Vigilance Committee at Head Office have been set up to review the preventive vigilance measures.

Vigilance Awarness Week

The vigilance work is being reviewed by the CMD and the CVO every quarter and all important/ long pending issues are dealt with in accordance with the Chief Vigilance Commission (CVC) guidelines. An Internal Advisory Committee on Vigilance has been set up which scrutinizes all the complaints or cases arising out of inspections, audit reports, staff accountability reports, etc. and furnishes its recommendations to the CVO regarding the existence or otherwise of the vigilance angle in the issues examined by it. Vigilance Department also acts as the nodal department for reporting, monitoring and follow-up of frauds perpetrated on the Bank by unscrupulous borrowers, outsiders, staff, etc. Further, the Department also acts as the nodal department for evaluating the role of third party entities [TPEs] in perpetration of frauds on the Bank and getting such agencies included in the caution list circulated by the Indian Banks' Association [IBA], for deficiency observed in professional service provided to the Bank by them.

Vigilance Department also maintains a vigil on the tendering process followed by the Bank in procurement of goods, works and contracts in terms of the extant CVC guidelines. Towards this end, the Department carries out Chief Technical Examiners Office [CTEO] type inspections periodically, on sample basis, to ensure that the procurement of goods and services is being carried out as per the norms.

The Vigilance Department submits a report on Vigilance Activities, status of cases of frauds and report on fresh cases of fraud to the Audit Committee / Board of Directors/ Special Committee for Monitoring of Large Value Frauds at periodic Intervals. The vigilance function in the Bank has been laying stress on the pro-active and preventive aspect of vigilance at all levels of operations to avoid / minimize the incidents of frauds, corruption and malpractices. Steps have also been taken to strengthen the credit monitoring process and spreading knowledge/ awareness about various frauds taking place.

Use of Hindi

The Bank continued its efforts towards Official Language implementation with full vigour. During the year under review, documents enumerated under section 3(3) of the Official Languages Act, 1963 were issued bilingually and compliance of Rule 5 of Official Language Rules, 1976 was fully ensured by replying Hindi letters in Hindi by all the offices of the Bank. While Hindi correspondence of most of the offices of the Bank in region 'A' and 'B' was above 90%, it was above 80% for majority of the offices


Hindi Karyasala at SIDBI, Head Office, Lucknow

situated in Region ‘C'. Similarly, more than 70%, 60% and 50% of the notings were recorded in Hindi in most of the offices in region 'A', 'B' and 'C', respectively. 27 offices of the Bank are notified in the official Gazette of India, under Rule 10(4) of the Official Language Rules, 1976. Suitable action has been taken to get 5 more offices notified.

To capture the Hindi knowledge of the staff-members, a special field was created in their Performance Appraisal Reports (PARs) in HRMS. The staff members not possessing working knowledge of Hindi were nominated to Prabodh, Praveen and Pragya courses conducted by the Government of India under its Hindi Teaching Scheme. The Bank continued to lay emphasis on conducting Hindi workshops. A total of 34 workshops were conducted during the year which were attended by staff-members across the country. The participant staff were imparted training in functional aspects of Hindi language, besides using Hindi on computers and usage of Unicode therein. Official Language Implementation Committees (O.L.I.C.) have been constituted in major offices of the Bank. Quarterly meetings of the Committees were held regularly, wherein the progress of work in Hindi was reviewed. The agenda in the quarterly meetings of the O.L.I.C at Head Office is presented through screen projection, thereby reducing the consumption of paper, which is in line with the Corporate Social Responsibility (CSR) of the Bank. Quarterly Hindi magazine ‘Sankalp' continued to be published regularly from the Head Office.

During the year under review, 'Sankalp', the Hindi magazine of the Bank bagged the Fourth Prize under Reserve Bank Hindi House Journal Competition 2010-11. Besides, the Bank won a consolation prize in region ‘B', under the Reserve Bank Rajbhasha Shield Competition 2010-11, announced during the year. In keeping with the Government’s policy to propagate Hindi through persuasion and motivation, the Bank implemented several incentive schemes, viz. SIDBI Rajbhasha Shield Competition, Sarvottam Rajbhasha Pratinidhi Yojana and Cash Award Scheme for the staff-members carrying out their maximum work in Hindi during the Hindi Fortnight.

The Drafting and Evidence Sub-committee of the Committee of Parliament on Official Language had deliberations with Jammu and Jaipur Offices during the year. Regular representation of the Bank was ensured in the quarterly meetings of the Official Language Implementation Committee of the Department of Financial Services, Ministry of Finance, Government of India.

Hindi Day/Week/Fortnight was celebrated in all the offices of the Bank in the month of September, during which various interesting programmes and competitions were conducted for the employees with a view to enhancing their interest and inclination towards Hindi. Bank's offices including Head Office are the members of their respective Town Official Language Implementation Committees (TOLICs).

Implementation of Right to Information Act, 2005

The Bank is implementing the Right to Information Act, 2005, (RTI Act). Accordingly, the Bank has displayed in its website (www.sidbi.in) functions and duties of the organization, norms set by the Bank for discharge of its functions, powers and duties of its officers and employees, organization chart, sub-ordinate legislations, etc. as envisaged under Section 4(1) (b) of the Act. The Bank has designated a Central

Public Information Officer (CPIO), Alternate Central Public Information Officer, Central Assistant Public Information Officers, the First Appellate Authority and the Alternate First Appellate Authority, the details of which are available on the Bank's website. In terms of the directives of Central Information Commission (CIC), the Bank has also designated a Transparency Officer for the better implementation of Section 4 of RTI Act with a view to promote congenial conditions for timely response by CPIO to RTI queries. A standing Committee for Implementation of the RTI Act (CIRA) has been constituted by the Bank to assist the Transparency Officer for the effective implementation of the RTI Act in the Bank. During the year, the Bank received 228 applications seeking information and all the applications were disposed off as per the provisions of the RTI Act within the stipulated time.

During the year, 19 appeals were made to the First Appellate Authority (FAA) of the Bank, which were disposed of within the stipulated time as per the provisions of the RTI Act. Against the decisions taken by FAA, 5 second appeals were preferred before the Central Information Commission.

Awards

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) – a DFI fraternity with membership of 116 institutions from 42 countries, honoured SIDBI with two awards in 2012 for (i) "Taxi Financing Scheme"; "Auto Rickshaw Financing"; and, "Energy Efficiency Lines of Credit" under Environmental Development Category and for (ii) development and application of "Code of Conduct Assessment (COCA) Tool" under Corporate Governance category.

Acknowledgments

The Board acknowledges the valuable support received from the Government of India and the Reserve Bank of India. The Board is also thankful to the World Bank Group; Japan International Co-operation Agency (JICA), Japan; Department for International Development (DfID), U.K.; Kreditanstalt fur Wiederaufbau (KfW), Germany; The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany; French Development Agency (AFD), France and Asian Development Bank (ADB) for their continued resource support and technical co-operation. The Board places on record its appreciation for the co-operation extended to SIDBI by banks, state level institutions, industry associations and other stakeholders engaged in the promotion and development of the MSME sector.

The Bank also thanks all its clients and investors for their co-operation and looks forward to their continued support in the years to come. The Board places on record its appreciation for the services of SIDBI staff, at all levels, who showed strong commitment, integrity and dedication to take the Bank to a higher growth path.

SIDBI

5

Subsidiaries and Associate Organisations of SIDBI

Subsidiaries and Associate Organisations of SIDBI

SUBSIDIARIES

SIDBI Venture Capital Limited

SIDBI Venture Capital Limited (SVCL) is an Investment Management Company established in 1999 for managing Venture Capital Funds. Over the years SVCL has evolved into one of the leading venture capital companies in India. It is also the only institutional investment management company having a focus on the small and medium sector companies in India.

It started off in 1999 with the ₹100 crore National Venture Fund for Software and IT Industry, then established the ₹500 crore SME Growth Fund in the year 2004. In FY 2011-12 it commenced investments out of the ₹600 crore India Opportunities Fund, a fund focused on the MSME sector and during FY 2012-13 is scheduled to commence investments out of Samridhi Fund, a fund being set-up with a major contribution from Department for International Development (DFID), UK and focused on fostering inclusive growth in the 8 poorer states of India viz. Bihar, Madhya Pradesh, Odisha, Uttar Pradesh, Rajasthan, Jharkhand, Chhattisgarh and West Bengal

Since its inception, SVCL has continued to be a source of growth capital to high-quality, growth-oriented, primarily Small and Medium Enterprises (SMEs) across diversified sectors. It has so far invested in more than 56 early and growth stage companies from diversified sectors such as IT/ITES, services, retail, pharma, auto components, biofuels, textile & garments, logistics etc. It has also fully or partially divested its investment in 39 of these 56 companies and \returned ₹442.54 crore by way of redemption of units as well as profits to the contributors of its first two funds.

India Opportunities Fund (IOF)

IOF is a close ended venture fund with a life of 10 years established in August 2011. The fund has done a final closure in April 2012 with a corpus of ₹600 crore. The contributors of IOF are SIDBI, LIC, SBI, Canara Bank, Technology Development Board (TDB) and other leading Indian commercial banks and insurance companies. IOF is a sector agnostic fund focused mainly on meeting growth capital needs of India's growing and unlisted MSMEs operating in emerging sectors such as educational services, IT/ITES, light engineering, clean tech, agro-based industries, logistics, infrastructure etc. IOF will also invest in early, growth as well as late stage companies selectively.

IOF has sanctioned its first investment in an engineering company based in Chennai engaged in the business of manufacturing, supplying, installing, maintenance and repair of material handling, mineral processing and corrosion protection systems. The company is an MSME and would be one of the first companies to list on the SME segment.

Marketing Initiatives of SVCL

SVCL took various marketing initiatives to promote venture capital among SMEs. It sponsored / co-sponsored eleven events during the year viz. "Sankalp Forum 2011" organised by Intellecap, "Entrepreneur India 2011 Summit" organised by Franchise India Holdings Pvt. Ltd., "TIECON Delhi 2011" organised by TiE, "Exploring Risk Capital Opportunities for SMEs" organised by PHD Chamber of Commerce and Industry, "International Business Festival (Avenues 2011)" by IIT Bombay, "ISBA 2012" held by Science and Technology Park, Pune, "Indiasoft 2012" organised by Electronics and Computer Software Export Promotion Council.

Balance-Sheet of SVCL

The abridged Balance Sheet as at March 31, 2012 and Statement of Profit and Loss of SVCL for the period April 01, 2011 to March 31, 2012 are given in the following tables:

Table 5.1: Abridged Balance Sheet of SVCL

(₹ lakh)

As on March 31, 2011 (Audited)		**As on March 31, 2012 (Audited)**
	EQUITY & LIABILITIES	
1,500.00	Share capital	1,500.00
569.88	Reserves and Surplus	682.59
15.85	Non - Current Liabilities	13.72
709.34	Current Liabilities	752.65
2,795.07	**Total**	**2,948.96**
	ASSETS	
1,454.86	Non - Current Assets	1,749.15
1,340.21	Current Assets	1,199.81
2,795.07	**Total**	**2,948.96**

Table 5.2: Abridged Statement of Profit & Loss of SVCL

(₹ lakh)

For the year ended March 31, 2011 (Audited)		For the year ended March 31, 2012 (Audited)
	REVENUE	
1,054.43	Revenue from operations	1,197.03
88.01	Other Income	99.05
1,142.44	**Total**	**1,296.08**
	EXPENSES	
205.19	Employee benefit expenses	220.64
3.08	Depreciation and amortization expenses	7.41
186.09	Other expenses	216.08
394.36	**Total**	**444.13**
748.08	Profit before extraordinary items and tax	851.95
3.07	Add: Exceptional Items	0.84
1.03	Less: Prior Period Adjustments	9.08
750.12	**Profit Before Taxation**	**843.71**
(255.00)	Current tax	(300.00)
2.54	Deferred tax	(4.87)
11.00	Excess provision for Income Tax	9.71
508.66	**Profit / (loss) for the period from continuing operations**	**548.55**
0	Profit / (loss) for the period from discontinuing operations	0
0	Tax expense of discontinuing operations	0
0	Profit / (loss) for the period from discontinuing operations (after tax)	0
508.66	**Profit (loss) for the period**	**548.55**

SIDBI Trustee Company Limited

SIDBI Trustee Company Limited (STCL) was set up by SIDBI on July 19, 1999, to act as Trustee of National Venture Fund for Software & Technology Industry (NFSIT), SME Growth Fund (SGF) and India Opportunities Fund (IOF). The company has appointed SIDBI Venture Capital Limited (SVCL) to act as the Investment Manager to NFSIT, SGF & IOF.

Balance-Sheet of STCL

The abridged Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the period April 01, 2011 to March 31, 2012 for STCL are as given in nest page :-

Table 5.3: Abridged Balance Sheet of STCL

(₹ lakh)

As on March 31, 2011 (Audited)		As on March 31, 2012 (Audited)
	EQUITY & LIABILITIES	
5.00	Share capital	5.00
277.11	Reserves and Surplus	333.85
0.00	Non - Current Liabilities	0.00
23.00	Current Liabilities	27.09
305.11	**Total**	**365.94**
	ASSETS	
25.41	Non - Current Assets	29.50
279.70	Current Assets	336.44
305.11	**Total**	**365.94**

Table 5.4: Abridged Statement of Profit & Loss of STCL

(₹ lakh)

For the year ended March 31, 2011 (Audited)		For the year ended March 31, 2012 (Audited)
	REVENUE	
55.00	Revenue from operations	57.98
19.34	Other Income	29.38
74.34	**Total**	**87.36**
	EXPENSES	
3.34	Other operating expenses	4.62
3.34	**Total**	**4.62**
71.00	**Profit before extraordinary items and tax**	**82.74**
0.00	Add: Extraordinary items	0.00
71.00	Profit Before Taxation	82.74
(22.00)	Current tax	(26.00)
0.00	Deferred tax	0.00
3.36	Excess provision for Income Tax	0.00
52.36	**Profit / (loss) for the period from continuing operations**	**56.74**
0.00	Profit / (loss) for the period from discontinuing operations	0.00
0.00	Tax expense of discontinuing operations	0.00
0.00	Profit / (loss) for the period from discontinuing operations (after tax)	0.00
52.36	**Profit (loss) for the period**	**56.74**

ASSOCIATES

CREDIT GUARANTEE FUND TRUST FOR MICRO AND SMALL ENTERPRISES

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) operates the Credit Guarantee Scheme (CGS) for Micro and Small Enterprises (MSEs) which guarantees credit facilities upto ₹100 lakh extended by Member Lending Institutions (MLIs) to those loans, which are not backed by collateral security and / or third party guarantees. Ministry of MSME, Government of India and SIDBI contributed to the total corpus size of the Fund Trust of ₹2158.79 crore in the ratio of 4:1 as at March 31, 2012.

Member Lending Institutions

During FY 2011-12, 4 new MLIs were registered with CGTMSE viz. Jammu & Kashmir Grameen Bank, Maharashtra Gramin Bank, Baroda Rajasthan Gramin Bank, Vananchal Gramin Bank. During the year, some of the MLIs ceased to exist due to their mergers with other banks/MLIs. The total number of registered MLIs stood at 128 as at March 31, 2012, comprising 26 Public Sector Banks, 18 Private Sector Banks, 71 Regional Rural Banks (RRBs), 4 Foreign Banks and 9 other Financial Institutions. As at March 31, 2012, there were 109 MLIs which have availed guarantee cover under CGS.

Operations of Credit Guarantee Scheme

The operations under CGS continued to grow except for a marginal decrease of 3.94% in number terms during FY 2011-12. Cumulatively, as at March 31, 2012, a total of 7,92,229 accounts have been accorded guarantee approval for ₹37,139.31 crore. Cumulatively, as on March 31, 2012, State Bank of India has the highest coverage of 1,53,923 proposals for ₹6,355.71 crore, followed by Bank of India (89,944 proposals for ₹5,540.66 crore), Punjab National Bank (85,660 proposals for ₹3,816.79 crore), Canara Bank (60,683 proposals for ₹2,016.74 crore) and Indian Overseas Bank (51,170 proposals for ₹2,186.72 crore).

During FY 2011-12, the average size of loans covered under CGS increased to ₹5.65 lakh compared to ₹4.96 lakh in the preceding financial year. The slab-wise coverage under the CGS is given in Table 5.5.

Table 5.5: Slab-wise CGS coverage (As on March 31, 2012)

Range	No. of Proposals	Amount (₹ crore)
Upto ₹5 lakh	635829 (80%)	10,012.33 (27%)
5 lakh upto ₹10 lakh	71959 (9%)	5,680.47 (15%)
10 lakh upto ₹25 lakh	62057 (8%)	10,384.37 (28%)
25 lakh upto ₹50 lakh	15854 (2%)	6,041.82 (16%)
50 lakh upto ₹100 lakh	6530 (1%)	5,020.29 (14%)
Total	**792229**	**37,139.31**

Note: Figures in the parentheses represent percentage share

An analysis of the cumulative coverage under CGS as at March 31, 2012, indicates that 1,40,369 proposals (18%) for ₹5,618.06 crore (15%) were in respect of women entrepreneurs; 42,874 proposals (5%) for ₹787.37 crore (2%) to Scheduled Caste; 14,611 proposals (2%) for ₹419.54crore (1%) to Scheduled Tribe and 60,237 proposals (8%) for ₹1,664.25 crore (4%) to Minorities.

Overall Impact

CGTMSE's operations have had a positive impact on the economy in terms of turnover, exports and employment of credit guaranteed MSEs as given in the Table 5.6:

Table 5.6: Impact of CGS

Areas of Impact	As on March 31, 2012 (Cumlative)
Turnover of guaranteed units	₹2,55,374.17 crore
Exports by guaranteed units	₹4,219.98 crore
Employment generation (No. of persons)	39.95 lakh

Awareness Creation

CGTMSE has adopted multi-channel approach for creating awareness of CGS amongst banks, MSME industry associations, MSME sector, etc. through print and press media, conducting workshops/ seminars, attending the programmes organized at various district / state / national fora, etc. During the year, CGTMSE conducted / participated in 585 seminars / workshops organized by MLIs and Industry Associations, exhibitions and meetings organized by RBI / Govt. in connection with MSME sector, across the country to create awareness about CGS. Special emphasis was laid on awareness creation and enhancement of coverage in under-served areas like Jammu and Kashmir, North Eastern Region etc.

SME RATING AGENCY OF INDIA LIMITED

SME Rating Agency of India Limited (SMERA) was incorporated in 2005 with the primary objective of providing professional and independent credit ratings to the MSME sector and thereby act as a reliable credit decision support system for the banking sector in their credit decisions to the MSME sector.

Business Operations

Since its incorporation, SMERA has assigned ratings to 15,634 MSME units in the Financial Year 2011 - 2012 spread across the various categories, industries and states. SMERA has been providing special attention to micro and small enterprises which accounted for 58% and 40% respectively of its total ratings. SMERA's MSME category wise rating is provided Table 5.7.

Table 5.7: SMERA Ratings as on 31.3.2012

Category	Ratings	%
Micro Enterprises	9014	58
Small Enterprises	6285	40
Medium Enterprises	335	2
Total	**15634**	**100**

Brief highlights of the year:

- Post registration with SEBI as a Credit Rating Agency (CRA) in 2011, SMERA assigned its first IPO Grading to the proposed initial public offering of Tejora Technologies Limited.
- SMERA has also received rating mandates from some PSUs for their proposed bond issue.
- The Company has acquired membership of the Association of Credit Rating Agencies in Asia (ACRAA) whose primary objective to develop and maintain cooperative efforts that promote interaction and exchange of ideas, experiences, information, knowledge and skills among credit rating agencies in Asia that would enhance their capabilities and their role of providing reliable market information.
- Till date, SMERA has entered into 35 MoUs with Banks, Financial Institutions, State Financial Corporations and leading Industrial Associations with a view to promote third party ratings and its benefits amongst the MSMEs.

INDIA SME TECHNOLOGY SERVICES LIMITED (ISTSL)

India SME Technology Services Ltd. (ISTSL) provides a platform where MSMEs can tap opportunities at the global level for acquisition of modern technologies or establish business collaboration. In order to help Indian MSMEs attain global competitiveness and achieve sustainable development, ISTSL renders total consulting solutions towards technology transfer, energy conservation and environment management, etc.

The technologies are being disseminated amongst the MSMEs through the website viz. www.techsmall.com and other channels available to ISTSL. Besides, ISTSL endeavors to forge workable linkage with technology transfer intermediary organizations from China, Korea, Japan, Europe etc.

During the year ended March 31, 2012, ISTSL attended to around 235 technology based enquires from MSMEs and offered technology facilitation services towards the technology related needs of MSMEs.

Efforts have also been made to facilitate energy efficient technologies leading to reduction in Green House Gases (GHG). Such initiatives of ISTSL are expected to strengthen and accelerate the process of technological modernization leading to sustainable development in the MSME sector. During FY 2011-12, ISTSL completed peer review of Detailed Project Reports (DPRs) prepared by various Executing Agencies on identified energy efficient measures in 23 selected MSME clusters under BEE-SME programme, by suggesting necessary changes / modifications to make these DPRs as bankable techno-commercial documents for FIs and banks to finance these energy efficiency proposals.

INDIA SME ASSET RECONSTRUCTION COMPANY LTD.

India SME Asset Reconstruction Company Ltd. (ISARC) was set up in April 2008 as an Asset Reconstruction Company (ARC) to acquire non-performing assets (NPAs) and to resolve them through its innovative mechanisms with a special focus on the NPAs of MSME sector.

During FY 2011-12, ISARC, selectively participated in NPA portfolio sales announced by banks/FIs and focused more on acquisition of potentially viable and restructurable NPA accounts of banks/FIs on bilateral basis after taking into consideration the recoverability of the NPAs with its outreach and capabilities. ISARC participated in 7 tenders from 6 banks / FIs for sale of NPAs. ISARC undertook due diligence in respect of 236 accounts and submitted bids for 173 accounts. During FY 2011-12, ISARC acquired 41 NPAs from 6 banks for an aggregate principal outstanding of ₹55.48 Crore in both portfolio sale processes as well as bilateral sale by banks. During the year, it has recovered ₹20.63 crore, as against ₹9.90 crore and ₹0.17 crore during FY 2010-11 and FY 2009-10 respectively, from its acquired assets. Security Receipts worth ₹14.87 crore were redeemed during FY 2011-12 (₹7.88 crore). As of March 31, 2012, ISARC has assets under management of about ₹368 crore.

ISARC has given a focus on reconstruction of NPAs particularly in the MSME sector. The company has evolved strategies for resolution of the NPAs particularly by reconstructing and reviving potentially viable units.

SIDBI

6

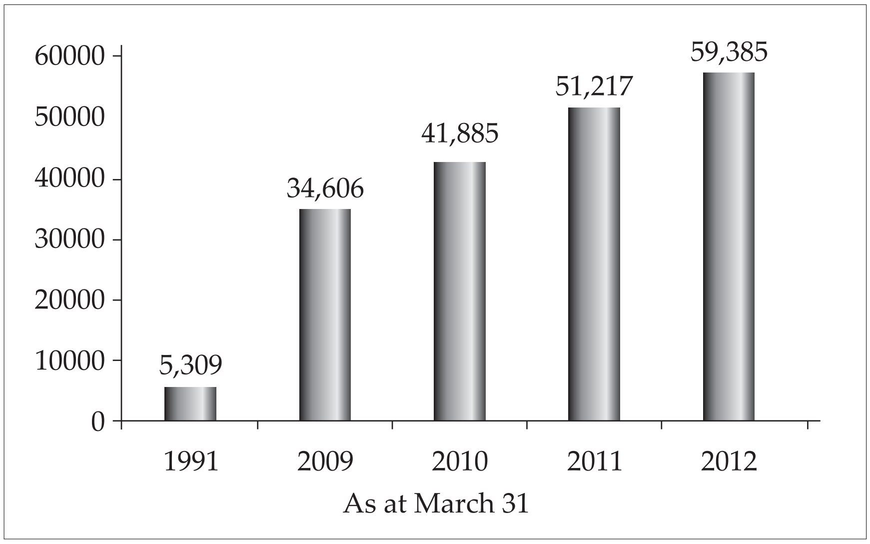
Balance Sheet & Statement of Accounts

Balance Sheet & Statement of Accounts

The audited Balance Sheet, along with Profit and Loss Account and Cash Flow Statement of Small Industries Development Bank of India, for the financial year 2011-12, are given in Appendix – I. The consolidated Balance Sheet, along with Profit and Loss Account and Cash Flow Statement of SIDBI with its subsidiaries viz., SIDBI Venture Capital Ltd., (SVCL) and SIDBI Trustee Company Ltd., (STCL) and associates viz. SME Rating Agency of India Ltd., (SMERA), Indian SME Asset Reconstruction Company Limited (ISARC) and India SME Technology Services Ltd., (ISTSL) and others are given in Appendix II.

The total income of the Bank during the year was higher at ₹ 4,606.63 crore as compared to ₹ 3,866.86 crore during the previous year mainly due to growth in the overall portfolio. The total expenditure during the corresponding period was higher at ₹ 2,796.21crore as compared to ₹ 2496.16 crore during the previous year. The Profit before Tax for the year was ₹ 1,074.14 crore, compared to ₹ 846.68 crore in the previous year. The net profit after tax and Deferred Tax Adjustment for the year was ₹ 566.85 crore as against ₹ 513.84 crore in the previous year. Out of the total distributable profit of ₹ 578.94 crore (net profit of ₹ 566.85 crore [after tax adjustment] for the year ended March 31, 2012 and brought forward profit of ₹ 12.09 crore), the Bank declared a dividend of 25% on paid up equity capital of ₹ 450 crore which worked out to ₹ 130.75 crore inclusive of dividend distribution tax, surcharge and cess payable thereon. During the year, a sum of ₹ 80 crore was transferred to Special Reserve created under Section 36(1) (viii) of IT Act, 1961, and appropriation of ₹ 1 crore was made to Staff Welfare Fund (SWF). Surplus of ₹ 340 crore was transferred to the Reserve Fund and balance ₹ 27.19 crore was retained in Profit and Loss Account.

Figure 6.1 : Balance Sheet Size



Auditors

The accounts of the Bank for the financial year 2011-12 were audited by M/s Haribhakti & Co., Chartered Accountants, Mumbai who were appointed in terms of Section 30(1) of the SIDBI Act, 1989 (as amended) at the Annual General Meeting held on June 24, 2011 for carrying out the statutory audit.

The reports of the Auditors are given on Page Nos. 56 and 86.

Auditor's Report

To
The Shareholders
Small Industries Development Bank of India

We have audited the attached Balance Sheet of the Small Industries Development Bank of India ('Bank') as at March 31, 2012 and also the Profit and Loss Account and Cash Flow Statement of the Bank for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the Bank for the year ended March 31, 2011 were audited by another auditor whose report dated May 2, 2011 expressed an unqualified opinion on those financial statements. Balance as on March 31, 2011 have been considered as opening balances for the purposes of these financial statements.

We hereby report that:

I) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books;

iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

iv) In our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211of the Companies Act,1956, and are drawn up in accordance with the requirements of the Regulation 14 (i) of the Small Industries Development Bank of India General Regulations, 2000;

v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Small Industries Development Bank of India General Regulations, 2000 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a. in the case of the balance sheet, of the state of affairs of the Bank as at March 31, 2012;

b. in the case of the profit and loss account, of the profit for the year ended on that date; and

c. in the case of cash flow statement, of the cash flow of the Bank as at March 31, 2012.

For Haribhakti & Co.
Chartered Accountants
FRN. 103523W

Rakesh Rathi
Partner
M. No. 045228

Place : Mumbai
Date : 18.06.2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Balance Sheet as at March 31, 2012

Appendix-I

Balance Sheet as at March 31, 2012

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2012	March 31, 2011
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	6327,90,40,413	5868,40,45,440
Deposits	III	15740,66,91,738	14480,44,97,978
Borrowings	IV	30387,58,50,090	24788,83,56,866
Other Liabilities and Provisions	V	6341,12,83,904	5517,35,81,944
Deferred Tax Liability		137,80,00,700	111,76,53,484
Total		**59385,08,66,845**	**51216,81,35,712**

ASSETS			
Cash and Bank Balances	VI	1341,84,42,552	1617,97,14,135
Investments	VII	2736,33,94,912	2347,19,95,384
Loans & Advances	VIII	53785,06,70,144	46053,63,34,655
Fixed Assets	IX	201,12,43,336	201,58,45,161
Other Assets	X	1320,71,15,901	996,42,46,377
Total		**59385,08,66,845**	**51216,81,35,712**
Contingent Liabilities	XI	5043,53,49,784	2303,29,87,514

Significant Accounting Policies XV

Notes to Accounts XVI

The Schedules referred to above form an integral part of the Balance Sheet.

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Profit & Loss Account for the year ended March 31, 2012

Profit & Loss Account for the year ended March 31, 2012

(₹)

INCOME	SCHEDULES	March 31, 2012	March 31, 2011
Interest and Discount	XII	4422,56,81,470	3707,19,39,270
Other Income	XIII	184,06,40,956	159,66,30,825
Total		**4606,63,22,426**	**3866,85,70,095**
EXPENDITURE			
Interest & Financial charges		2523,82,43,068	2224,51,05,081
Operating Expenses	XIV	272,39,12,829	271,65,40,593
Provisions & Contingencies (Refer note no.23)		736,27,50,575	524,00,75,455
Total		**3532,49,06,472**	**3020,17,21,128**
Profit before Tax		**1074,14,15,954**	**846,68,48,967**
Provision for Income Tax (Refer note no.24)		481,25,80,328	372,60,43,609
Deferred Tax Adjustment [(Asset) / Liability]		26,03,47,216	(39,75,93,939)
Profit after Tax		566,84,88,410	513,83,99,297
Profit brought forward		12,08,96,171	-
Total Profit / (Loss)		**578,93,84,581**	**513,83,99,297**
Appropriations			
Transfer to General Reserve		340,00,00,000	300,00,00,000
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		80,00,00,000	70,00,00,000
Transfer to Staff Welfare Fund		100,00,000	100,00,000
Dividend on Shares		112,50,00,000	112,50,00,000
Tax on Dividend		18,25,03,125	18,25,03,125
Surplus in Profit & Loss account carried forward		27,18,81,456	12,08,96,172
Total		**578,93,84,581**	**513,83,99,297**

Basic/Diluted Earning Per Share		12.60	11.42
Significant Accounting Policies	XV		
Notes to Accounts	XVI		

The Schedules referred to above form an integral part of the Profit & Loss Account.

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹)

CAPITAL AND LIABILITIES	March 31, 2012	March 31, 2011
SCHEDULE I:		
Capital		
(a) Authorized Capital		
- Equity Share Capital (75,00,00,000 Equity Shares of ₹10/- each)	750,00,00,000	750,00,00,000
- Preference Share Capital (25,00,00,000 Redeemable Preference Shares of ₹10/- each)	250,00,00,000	250,00,00,000
(b) Issued, Subscribed and Paid-up Capital :		
- Equity Share Capital (45,00,00,000 Equity Shares of ₹10/- each)	450,00,00,000	450,00,00,000
- Preference Share Capital	-	-
Total	**450,00,00,000**	**450,00,00,000**
SCHEDULE II:		
Reserves, Surplus and Funds		
A) Reserves		
i) General Reserve		
- Opening Balance	4623,31,73,555	4323,31,73,555
- Additions during the year	340,00,00,000	300,00,00,000
- Utilisations during the year	-	-
- Closing Balance	**4963,31,73,555**	**4623,31,73,555**
ii) Specific Reserves		
a) Investment Reserve		
- Opening Balance	55,19,63,645	55,19,63,645
- Additions during the year	-	-
- Utilisations during the year	-	-
- Closing Balance	**55,19,63,645**	**55,19,63,645**
b) Special Reserve created and maintained u/s 36 (1) (viii) of The Income Tax Act, 1961		
- Opening Balance	957,00,00,000	887,00,00,000
- Additions during the year	80,00,00,000	70,00,00,000
- Utilisations during the year	-	-
- Closing Balance	**1037,00,00,000**	**957,00,00,000**
B) Surplus in Profit and Loss account	**27,18,81,456**	**12,08,96,172**
C) Funds		
a) National Equity Fund		
- Opening Balance	197,22,19,496	167,44,64,973
- Additions / Write back during the year	25,17,47,194	29,77,54,522
- Utilisations during the year	-	-
- Closing Balance	**222,39,66,690**	**197,22,19,496**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

(₹)

b) Staff Welfare Fund	March 31, 2012	March 31, 2011
- Opening Balance	23,57,92,572	24,25,71,858
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,77,37,506	1,67,79,286
- Closing Balance	**22,80,55,066**	**23,57,92,572**
c) Others	**-**	**-**
Total	**6327,90,40,413**	**5868,40,45,440**
SCHEDULE III:		
Deposits		
A) Fixed Deposits	**2529,78,41,738**	**2654,86,97,978**
B) From Banks		
a) Under MSME Refinance Fund	12710,88,50,000	11325,58,00,000
b) Under MSME Risk Capital Fund	500,00,00,000	500,00,00,000
c) Others -From Foreign & Private Sector Banks	-	-
Subtotal (B)	**13210,88,50,000**	**11825,58,00,000**
Total	**15740,66,91,738**	**14480,44,97,978**
SCHEDULE IV:		
BORROWINGS		
I) Borrowings in India		
1. From Reserve Bank of India	-	-
2. From Government of India	3165,79,29,152	3151,62,33,693
(including Bonds subscribed by GOI of ₹ 2172.80 crore)		
3. Bonds & Debentures	12516,99,60,000	6787,09,60,000
4. From Other Sources		
- Commercial Paper	1320,00,00,000	750,00,00,000
- Certificate of Deposits	-	-
- Term Loans from Banks	4793,07,54,958	8189,15,00,036
- Term Money Borrowings	-	-
- Others	194,70,63,025	67,42,23,834
Subtotal (I)	**21990,57,07,135**	**1894,529,17,563**
II) Borrowings outside India		
(a) KFW, Germany	1131,27,76,193	1038,51,69,238
(b) Japan International Cooperation Agency (JICA)	4227,39,63,250	2796,14,40,002
(c) IFAD, Rome	117,44,77,331	106,88,32,539
(d) World Bank	2585,98,16,307	1726,08,80,551
(e) Others	334,91,09,874	175,91,16,973
Subtotal (II)	**8397,01,42,955**	**5843,54,39,303**
Total (I & II)	**30387,58,50,090**	**24788,83,56,866**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹)

	March 31, 2012	March 31, 2011
SCHEDULE V:		
Other Liabilities and Provisions:		
Interest Accrued	1077,32,85,457	815,96,17,565
Others (including provisions)	3756,39,18,825	3088,12,32,523
Provisions for Exchange Rate Fluctuation	1142,36,15,837	1296,85,31,336
Contingent provisions against standard assets	234,29,60,660	185,66,97,395
Proposed Dividend (including tax on dividend)	130,75,03,125	130,75,03,125
Total	**6341,12,83,904**	**5517,35,81,944**
ASSETS		
SCHEDULE VI:		
Cash & Bank Balances		
1. Cash in Hand & Balances with Reserve Bank of India	6,04,775	7,70,130
2. Balances with Other Banks	-	-
(a) In India		
i) in current accounts	28,84,06,789	432,01,78,329
ii) in other deposit accounts	124,65,00,000	172,50,00,000
(b) Outside India		
i) in current accounts	3,42,42,628	1,65,57,823
ii) in other deposit accounts	1184,86,88,360	1011,72,07,853
Total	**1341,84,42,552**	**1617,97,14,135**
SCHEDULE VII:		
Investments		
[net of provisions]		
A) Treasury operations		
1. Securities of Central and State Governments	158,57,41,352	110,97,41,977
2. Shares of Banks & Financial Institutions	23,95,12,137	23,95,12,137
3. Bonds & Debentures of Banks & Financial Institutions	247,25,86,000	207,73,93,752
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	251,08,38,841	251,08,38,841
5. Short Term Bills Rediscounting Scheme	122,94,24,384	75,73,12,439
6. Others	1007,66,28,885	959,44,29,476
Subtotal (A)	**1811,47,31,599**	**1628,92,28,622**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

(₹)

	March 31, 2012	March 31, 2011
B) Business Operations		
1. Shares of Banks & Financial Institutions	62,56,62,510	59,17,51,070
2. Bonds & Debentures of Banks & Financial Institutions	25,35,652	50,67,78,002
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	660,42,45,730	476,14,01,172
4. Investment in Subsidiaries	1,04,98,800	104,98,800
5. Others	200,57,20,621	131,23,37,718
Subtotal (B)	**924,86,63,313**	**718,27,66,762**
Total (A+B)	**2736,33,94,912**	**2347,19,95,384**
SCHEDULE VIII:		
Loans & Advances		
[Net of Provisions]		
A) Refinance to		
- Banks and Financial Institutions	39055,48,41,211	31980,79,93,696
- Micro Finance Institutions	1575,84,72,025	2773,99,87,321
- NBFC	1838,10,24,857	425,85,65,100
- Bills Rediscounted	-	-
- Others (Resource Support)	-	3,80,00,000
Subtotal (A)	**42469,43,38,093**	**35184,45,46,117**
B) Direct Loans		
- Loans and Advances	8683,50,89,350	8186,00,65,749
- Receivable Finance Scheme	2499,59,13,361	2491,99,47,836
- Bills Discounted	132,53,29,340	191,17,74,953
Subtotal (B)	**11315,63,32,051**	**10869,17,88,538**
Total (A+B)	**53785,06,70,144**	**46053,63,34,655**
SCHEDULE IX:		
Fixed Assets		
[Net of Depreciation]		
1. Premises	199,14,12,354	199,46,00,714
2. Others	1,98,30,982	2,12,44,447
Total	**201,12,43,336**	**201,58,45,161**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹)

	March 31, 2012	March 31, 2011
SCHEDULE X:		
Other Assets:		
Accrued Interest	667,95,88,903	556,03,30,770
Advance Tax (Net of provision)	60,20,41,194	189,60,34,547
Others	458,51,85,353	132,42,21,429
Expenditure to the extent not written off	134,03,00,451	118,36,59,631
Total	**1320,71,15,901**	**996,42,46,377**
SCHEDULE XI:		
CONTINGENT LIABILITIES		
i) Claims against the Bank not acknowledged as debts	114,68,60,262	75,91,58,968
ii) On account of Guarantees / Letters of Credit	148,01,28,084	123,86,74,475
iii) On account of Forward Contracts	117,73,61,438	79,70,54,071
iv) On account of Underwriting Commitments	-	-
v) On account of uncalled monies on partly paid shares, debentures	-	-
vi) Other items for which the Bank is contingently liable	4663,10,00,000	2023,81,00,000
Total	**5043,53,49,784**	**2303,29,87,514**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Profit & Loss Account for the year ended March 31, 2012

(₹)

	March 31, 2012	March 31, 2011
SCHEDULE XII		
Interest and Discount		
1. Interest and Discount on Loans, Advances and Bills	4118,93,80,189	3565,86,60,496
2. Income on Investments / Bank balances	303,63,01,281	141,32,78,774
Total	**4422,56,81,470**	**3707,19,39,270**
Schedule XIII:		
Other Income:		
1. Upfront and Processing Fees	31,16,81,050	24,31,01,710
2., Commission and Brokerage	1,86,35,127	1,98,81,257
3. Profit on sale of Investments	49,69,96,773	45,09,19,114
4. Income earned by way of dividends etc. from Subsidiaries / Associates	3,74,97,750	3,75,00,000
5. Provision of Earlier Years written Back	-	-
6. Others (Refer note no.22)	97,58,30,256	84,52,28,744
Total	**184,06,40,956**	**159,66,30,825**
Schedule XIV:		
Operating Expenses:		
Payments to and provisions for employees	196,47,45,243	150,01,24,006
Rent, Taxes and Lighting	14,49,79,706	14,39,24,455
Printing & Stationery	78,44,090	83,86,990
Advertisement and Publicity	2,26,27,972	1,42,29,011
Depreciation / Amortisation on Bank's Property	13,19,98,830	16,46,17,249
Directors' fees, allowances and expenses	28,09,230	39,32,257
Auditor's Fees	17,66,278	16,04,314
Law Charges	67,98,701	60,46,016
Postage, Courier, Telephones etc	31,42,318	33,18,681
Repairs and maintenance	7,15,10,494	6,01,65,758
Insurance	29,21,999	32,01,351
Contribution to CGTMSE	1,22,50,000	50,00,00,000
Other Expenditure	35,05,17,968	30,69,90,505
Total	**272,39,12,829**	**271,65,40,593**

SCHEDULE XV - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the Small Industries Development Bank of India Act, 1989, prudential norms prescribed by Reserve Bank of India, applicable Accounting Standards issued by the Institute of Chartered Accountants of India and practices prevailing in the banking Industry. The financial statements have been prepared under the historical cost convention on an accrual basis, unless otherwise stated. The accounting policies that are applied by the Bank, are consistent with those used in the previous year.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standard.

2. REVENUE RECOGNITION

A) INCOME:

(i) Interest income including penal interest is accounted for on accrual basis, except where interest and / or installment of principal / bills repayment is due for more than 90 days as on the date of Balance Sheet as per RBI norms. Interest in respect of such loan accounts and receivable / bills finance is taken credit on actual receipt basis. Interest income from Investments is accounted for on accrual basis, except income on non performing investments.

(ii) Income in the Profit and Loss Account is shown gross i.e. before provisions as per RBI guidelines and other provisions like provision for stressed assets as per bank's internal policy

(iii) Discount received in respect of bills discounted / rediscounted and on Certificate of Deposit and Commercial Papers is apportioned over the period of usance of the instruments.

(iv) Commitment charges, service charges on seed capital / soft loan assistance and royalty income are accounted for on accrual basis in respect of standard (performing) assets.

(v) Dividend on shares held in industrial concerns and financial institutions is recognised as income when realized.

(vi) Income from Venture Capital funds are accounted on realisation basis.

(vii) Recovery in non performing assets (NPA) is to be appropriated in the following order:

a) overdue interest upto the date of NPA,

b) principal,

c) cost & charges,

d) interest and

e) penal interest.

(viii) Gain/loss on sale of loans and advances through direct assignment is recognized at the time of sale.

(ix) Profit or loss in sale of investment: Profit or loss on sale of investments in any category is taken to profit and loss account. However, in case of profit on sale of investments under "Held to Maturity" category an equivalent amount is appropriated to Capital Reserves Account.

B) EXPENDITURE:

(i) All expenditure are accounted for on accrual basis except Development Expenditure which is accounted for on cash basis.

(ii) Discount on Bonds and Commercial papers issued are amortised over the tenure of Bonds and Commercial Paper. The expenses relating to issue of Bonds are amortized over the tenure of the Bonds.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

3. INVESTMENTS

I. In terms of extant guidelines of the Reserve Bank of India, the entire investment portfolio is categorised as "Held to Maturity", "Available for Sale" and "Held for Trading". Investments are valued in accordance with RBI guidelines. The investments under each category are further classified as

a) Government Securities,

b) Other approved securities,

c) Shares,

d) Debentures & Bonds,

e) Subsidiaries/ joint ventures and

f) Others (Commercial Paper, Mutual Fund Units, Certificate of Deposits etc.)

(a) HELD TO MATURITY:
Investments acquired with the intention to hold till maturity are categorised under Held to Maturity. Such investments are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the period remaining to maturity. Dimunition, other than temporary, in the value of investments in subsidiaries/joint ventures under this category is provided for each investment individually.

(b) HELD FOR TRADING:
Investments acquired with the intention to trade by taking advantage of the short-term price/interest rate movements are categorised under Held for Trading. The investments in this category are revalued as a whole and net appreciation /depreciation is recognised in the profit & loss account, with corresponding change in the book value of the individual scrips.

(c) AVAILABLE FOR SALE:
Investments which do not fall within the above two categories are categorised under Available for Sale. The individual scrips under this category are revalued and net depreciation under any of the classification mentioned above is recognised in the profit & loss account. Net appreciation under any classification is ignored. The book value of individual scrips is not changed.

II. The debentures / bonds / shares deemed to be in the nature of advance, are subject to the usual prudential norms applicable to loans & advances.

III. In respect of unquoted investments in industrial concerns under Seed Capital Scheme, full provision has been made.

IV. Stressed assets provision is made on certain investments as per internal approved policy.

4. FOREIGN CURRENCY TRANSACTIONS:

(i) Foreign currency transactions are recorded in the books of account in respective foreign currencies. Accounting for transactions involving foreign exchange is done in accordance with Accounting Standard (AS)-11 issued by Institute of Chartered Accountants of India

1. Assets and Liabilities are translated at the closing rates notified by FEDAI at the year end.

2. Income and Expenses are translated at monthly intervals through actual sale/purchase and recognized in the profit and loss account accordingly.

3. The revaluation difference on foreign currency LoC is adjusted and recorded in a special account opened and maintained, in consultation with GOI for managing exchange risk.

4. The Bank follows hedge accounting in respect of derivative transactions as per RBI guidelines.

5. DERIVATIVES

The Bank presently deals in currency derivatives viz., Cross Currency Interest Rate swaps for hedging its foreign currency liabilities. Based on RBI guidelines, the above derivatives undertaken for hedging purposes are accounted on an accrual basis. Contingent Liabilities on account of derivative contracts at contracted rupee amount are reported on the Balance Sheet date.

6. LOANS AND ADVANCES

1. Assets representing loan and other assistance portfolios are classified based on record of recovery as Standard, Sub-standard, Doubtful and Loss Assets. Provision is made for assets, as per the norms in accordance with the prudential norms issued by the Reserve Bank of India.
2. Advances stated in the balance sheet are net of provisions made for Non performing assets.
3. General provision on Standard Assets is made as per RBI guidelines.
4. In addition to the General provisions on Standard Assets as per RBI guidelines, as a measure of prudence, the Bank is making additional provision in respect of Standard Assets which are in the Stressed Assets category, as per an approved policy. The internal policy for Provisions for Stressed Assets is based on risk perception/ risk appetite in respect of certain portfolio.

7. TAXATION

(i) Tax expense comprises both current tax and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with Income Tax Act.

(ii) Deferred income taxes reflect the impact of the current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

(iii) Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognized deferred assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

8. SECURITISATION

The Bank purchases credit rated Micro, Small and Medium Enterprises Asset pools from Banks / Non Banking Finance Companies by way of pass- through certificates issued by the Special Purpose Vehicle. Such securitisation transactions are classified as Investments under Held for Trading / Available For Sale category depending upon the investment objective.

The Bank purchases credit rated pool of Micro, Small and Medium Enterprises assets under bilateral direct assignment. Such direct assignment transactions are accounted for as 'advances' by the Bank.

The Bank enters into sale of Loans & Advances through direct assignment. In most of the cases, the Bank continues to service the Loans & Advances sold under these transactions and is entitled to the Residual interest on the Loans & Advances sold. Assets sold under direct assignment are derecognised in the books of the Bank based on the principle of surrender of control over the assets. The Bank also provides credit enhancement in the form of letter of commitment. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate disclosure is made in accordance with "AS 29- Provisions, contingent liabilities and contingent assets".

The residual income on the Loans & Advances sold is being recognised over the life of the underlying Loans & Advances.

9. SALE OF FINANCIAL ASSETS TO ASSET RECONSTRUCTION COMPANIES (ARCs):

(i) The sale of NPA's is on cash basis or investment in Security Receipt (SR) basis. In case of sale on SR basis, the sale consideration or part thereof is treated as investment in the form of SRs.

(ii) The assets if sold at a price below the Net Book Value (NBV) (i.e. book value less provisions held), the shortfall is debited to the Profit & Loss A/c. In case the sale value being higher than NBV, the excess provision held is not reversed but utilized to meet the Shortfall/ Loss on account of sale of other non-performing assets.

10. PROVISIONING FOR STAFF BENEFITS:

A] Post retirement benefits:

(i) Provident Fund is a defined contribution scheme administered by the Bank and the contributions are charged to the Profit & Loss Account of the year.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(ii) Gratuity liability and Pension liability are defined benefit obligations and other long term employee benefits like compensated absences, post retirement medical benefits, leave fare concession etc. are provided for on the basis of an actuarial valuation made at the end of each financial year based on the projected unit credit method.

(iii) Actuarial gains/losses are immediately taken to the profit and loss account and are not deferred.

(iv) Payments made under the Voluntary Retirement Scheme are charged to the Profit & Loss account in the year of expenses incurred.

B] Benefits (Short - term) while in service

(i) Liability on account of Short term benefits are determined on an undiscounted basis and recognised over the period of service, which entitles the employees to such benefits.

11. FIXED ASSETS AND DEPRECIATION

a) Fixed Assets are shown at cost less depreciation.

b) Depreciation for the full year, irrespective of date of capitalization, is provided on :

(i) Furniture and fixture : For assets owned by Bank @ 100 percent

(ii) Computer and Computer Software @ 100 percent.

(iii) Building @ 5 percent on WDV basis.

(iv) Electrical Installations: For assets owned by Bank @ 50 percent on WDV basis.

(v) Motor Car - Straight Line Method @ 50 percent.

c) Leasehold land is amortised over the period of lease.

12. PROVISION FOR CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities are not provided for and are disclosed in the balance sheet and details given by way of Schedule to the Balance Sheet.

13. GRANTS AND SUBSIDIES

Grants and subsidies from the Government and other agencies are accounted as per the terms and conditions of the agreement.

14. OPERATING LEASE:

Lease rentals are recognized as an expense/income in the Profit and Loss Account as they become due for payments.

15. IMPAIRMENT OF ASSETS:

The carrying amounts of assets are reviewed at each Balance Sheet date, if there is any indication of impairment based on internal/external factors, to recognize,

a) the provision for impairment loss, if any required

Or

b) the reversal, if any, required for impairment loss recognized in the previous periods.

Impairment loss is recognized when the carrying amount of an asset exceeds recoverable amount.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹)

		March 31, 2012	March 31, 2011
SCHEDULE XVI - NOTES TO ACCOUNTS			
1	**'Bonds and Debentures' under Borrowings in schedule IV includes the following :**		
	a) Unsecured Bonds	12516,60,00,000	6786,60,00,000
	b) Capital Gain Bonds	39,60,000	49,60,000
2	**'Others' under Other Liabilities and Provisions in schedule V include the following:**		
	a) SIDBI Disability Assistance Fund	2,14,06,910	1,97,70,168
	b) SIDBI Voluntary Health Scheme	9,69,72,187	8,10,25,739
3	**'Expenditure to the extent not written off' under Other Assets in schedule X includes the following:**		
	a) Premium on transfer of RBI NIC(LTO) to GoI Bonds	64,61,79,863	71,07,97,850
	b) Discount paid in Advance - Commercial Paper	60,51,51,425	45,86,20,365
	c) Expenditure on Issuance of Unsecured Bonds	8,89,69,163	1,42,41,417
4	**Interest and Financial Charges**		
	a) Interest on Borrowings	1457,38,88,607	1394,13,69,913
	b) Interest on Deposits	853,55,89,273	702,37,01,798
	c) Financial Charges	212,87,65,188	128,00,33,370
	Total	**2523,82,43,068**	**2224,51,05,081**
5	Estimated amount of contracts remaining to be executed on Capital Account not provided for (net of advance paid)	16,61,49,618	19,98,69,076
6	Premises include advances towards acquisition of Premises ₹ 22,26,552 (Previous Year - ₹ 24,24,552) and Capital Work in Progress ₹11,31,98,075 (Previous Year - ₹ 5,44,93,388).		
7	In respect of foreign currency borrowings of JPY 30 billion under Line V from Japan International Cooperation Agency (JICA) (previously known as Japan Bank of International Cooperation-JBIC), Exchange Rate Fluctuation Fund (ERFF) has been created as per terms agreed with Government of India and included in Foreign Currency Fluctuation Reserve Fund. The difference on account of exchange fluctuation arising on principal account amounting to ₹619,43,79,996 (Previous Year - ₹485,19,18,073) has been netted off against ERFF as permitted by the Government of India. Adjustment to the Fund Account, if necessary, will be made as per directions of Government of India in future. If the balance in the Fund is insufficient, the claim will be on Government of India.		
8	The borrowing of ₹523,30,66,592(Previous Year - ₹566,91,55,474) from Govt. of India under the JBIC IV loan is carried forward in the 'Schedule IV - Borrowings' to the Balance Sheet at its historic rupee value since SIDBI's liability towards principal repayment under the agreement, is not expected to exceed the aggregate of the rupee borrowings and the balance in the ERFF maintained for this loan. The balance as on March 31, 2012 in ERFF maintained for this loan is ₹ 439,27,94,279(Previous Year - ₹ 471,42,41,626).		
9	Other expenditure in Schedule XIV - 'Operating Expenses' for FY 2012 includes prior period expenditure of ₹ 97,41,876 [Previous Year - ₹1,50,10,819].		

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

(₹)

10	Related party transactions As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by Institute of Chartered Accountant of India, the related parties of the Bank are as follows.		
A	**Subsidiaries:**		
1	SIDBI Venture Capital Limited (SVCL)		
2	SIDBI Trustee Company Limited (STCL)		
B	**Associates**		
1	India SME Asset Reconstruction Company (ISARC)		
2	SME Rating Agency of India Ltd. (SMERA)		
3	India SME Technology Services Ltd. (ISTSL)		
C	**Key Managerial Personnel of the Bank:**		
1	Shri S. Muhnot, Chairman & Managing Director (from April 04, 2011)		
2	Shri N.K.Maini, Deputy Managing Director		
3	Shri Rakesh Rewari, Deputy Managing Director (upto August 31, 2011)		
4	Shri R. M.Malla, Chairman & Managing Director (upto July 08, 2010)		
	The above list does not include State Controlled Enterprises since the same are exempted vide para 9 of Accounting Standard - 18 issued by Institute of Chartered Accountants of India (ICAI).		
D	**Disclosures of details pertaining to related party transactions :**		
a)	The gross salary including perquisites paid to the Key Managerial Personnel of the Bank during the year is as under :		
		March 31, 2012	**March 31, 2011**
1	Shri S. Muhnot, Chairman & Managing Director (from April 04, 2011)	16,86,703	-
2	Shri R. M.Malla, Chairman & Managing Director (upto July 08, 2010)*	1,64,805	11,18,965
3	Shri N.K.Maini, Deputy Managing Director (from September 01, 2010)*	37,48,590	7,48,326
4	Shri Rakesh Rewari, Deputy Managing Director (upto August 31, 2011)* *Including payment of arrears	20,29,798	21,47,946
b)	Outstanding balances of loans as on March 31st in respect of above persons:	Nil	Nil
c)	Interest on loans granted to Key Managerial Personnel during the year:	Nil	Nil
d)	Outstanding balances under Fixed Deposits as on March 31st in respect of Key Managerial Personnel of the Bank:		
	Particulars	**March 31, 2012**	**March 31, 2011**
	Deposits accepted during the year	45,54,367	23,31,742
	Repayment during the year	23,28,617	18,43,000
	Closing Balance	51,52,110	29,26,360
	Interest recognised during the year	3,34,630	2,73,137

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹)

e)	Related Party	Subsidaries		Associates		
	Particulars	**SVCL**	**STCL**	**SMERA**	**ISARC**	**ISTSL**
	Investment in Shares	-	-	12,50,000	-	-
	Transactions during the Year	(-)	(-)	(-)	(-)	(-)
	Outstanding at end of the year	1,00,00,000	5,00,000	510,00,000	15,00,00,000	1,00,00,000
		(1,00,00,000)	(5,00,000)	(4,97,50,000)	(15,00,00,000)	(1,00,00,000)
	Income received					
	Amount received by Bank	4,69,46,459	1,20,000	53,88,193	66,16,490	-
		(4,51,16,113)	(70,000)	(36,13,976)	(-)	(-)
	Receivables at end of the year	-	-	21,87,503	-	-
		(-)	(-)	(-)	(-)	(-)
	Reimbursment of expenses					
	Amount claimed by Bank	31,79,829	-	34,64,514	57,83,644	36,20,029
		(27,62,130)	(-)	(-)	(38,24,402)	(14,48,791)
	Receivables at end of the year	2,71,335	-	-	3,63,853	37,17,456
		(3,43,388)	(-)	(3,107)	(21,72,363)	(15,07,216)
	Payment of expenses					
	Amount paid by Bank					
	- Fees/Commission	12,68,495	-	-	-	3,55,750
		(-)	(-)	(1,32,000)	(1,56,703)	(14,73,300)
	- Interest	36,32,615	16,65,600	-	8,27,264	34,07,577
		(7,99,365)	(3,36,954)	(-)	(-)	(-)
	Payables at end of the year					
	- Fees/Commission	2,80,000	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
	- Interest	23,93,959	8,50,005	-	38,52,623	-
		(22,59,082)	(11,38,181)	(-)	(5,06,097)	(29,60,559)
	Deposits					
	Received during the Year	4,78,10,000	1,68,83,000	-	8,07,58,957	-
		(4,82,75,000)	(1,70,00,000)	(-)	(1,00,00,000)	-
	Repaid during the year	4,82,75,000	2,19,46,000	-	1,00,00,000	4,50,00,000
		(2,75,00,000)	(1,65,00,000)	(-)	(-)	(-)
	Outstanding at end of the year	4,78,10,000	1,68,83,000		8,07,58,957	-
		(4,82,75,000)	2,19,46,000	(-)	(1,00,00,000)	(4,50,00,000)
	(Figures in brackets represents previous year's amount)					

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

11	**Earning Per Share (EPS)* :**	**March 31, 2012**	**March 31, 2011**
	Net Profit considered for EPS calculation (₹)	566,84,88,410	513,83,99,297
	Number of equity shares of face value ₹ 10 each	45,00,00,000	45,00,00,000
	Earning per share (₹)	12.60	11.42
	* Basic & Diluted EPS are same as there are no dilutive potential Equity Shares.		

12 As per the Accounting Standard 22, Accounting for Taxes on Income, the Bank has reviewed the Deferred Tax Expenditure / Saving and recognised an amount of ₹ 26,03,47,216 as Deferred Tax Liability (Previous year - Deferred Tax Asset was ₹ 39,75,93,939) in the Profit and Loss Account for the year ended March 31, 2012. The Break up of Deferred Tax Asset/ (Liability) as on March 31, 2012 is as follows :

(₹)

	Timing Difference	**As at 31.03.2012 Deferred Tax Asset/(Liability)**	**As at 31.03.2011 Deferred Tax Asset/(Liability)**
a)	Provision for Depreciation	(2,73,52,122)	(1,07,16,971)
b)	Special Reserve u/s 36(1)(viii) of the Income Tax Act 1961	(270,32,29,206)	(244,45,56,284)
c)	Provisions for Bad & Doubtful Debts	101,62,27,670	89,43,65,629
d)	Amortisation of Premium on GOI Bonds	(20,96,53,055)	(23,06,18,361)
e)	Provision for Restructuring of Accounts	9,54,32,152	13,68,71,530
f)	Others	45,05,73,861	53,70,00,973
	Net deferred tax Asset/(Liability)	**(137,80,00,700)**	**(111,76,53,484)**

13 Contingent liabilities of ₹ 109,02,25,963 (Previous Year - ₹ 65,74,65,184) represents income tax and service tax liability. This is being disputed by the Bank and based on expert's opinion the provision is not considered necessary. It includes an amount of ₹ 84,46,37,936 (Previous Year - ₹ 65,55,88,964) pertaining to appeals filed by Income Tax Department against the bank. The liability pertaining to Income Tax is paid to the Income Tax Authorities and grouped under Other Assets.

14 During the previous year, the bank has contracted a line of credit for USD 300 million from World Bank for scaling up Sustainable and Responsible Micro Finance Project including IDA portion aggregating SDR 65.9 million (equivalent of USD 100 million). Under IDA line, Govt. of India is the borrower and rupee funds are lent to SIDBI by GOI though the exchange risk on the underlying is required to be borne by SIDBI as per the terms of the agreement. Thus, though GOI released rupee funds to SIDBI the same was recorded as SDR liability in the books of SIDBI to depict correct position so that revaluation difference gets suitably reflected in the year end figures. Accordingly the drawal effected under the above line aggregating USD 94.47 million (equivalent to ₹ 469.69 Crore) as on March 31,2012 [Previous Year USD 91.68 million (equivalent to ₹411.91 crore)] from GOI is recorded as SDR liability and the underlying is being hedged through Currency Interest rate swaps by SIDBI. The same has been grouped under Schedule IV - 'Borrowings in India'.

15 During the year Government of India (GOI) has created "India Microfinance Equity Fund" with SIDBI with a corpus of ₹100 crore. The Fund shall be utilised for extending equity or any other form of capital to Tier – II and Tier – III NBFC MFIs and all Non-NBFC MFIs, with a focus on smaller socially oriented MFIs with the objective of poverty alleviation and achieving long term sustainability of operations in unserved and underserved parts of the country.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

16 The Bank has pledged Goverment securities & Treasury Bills aggregating to ₹162,89,60,000 (book value ₹160,16,97,923) [Previous Year ₹ 114,00,00,000(book value ₹ 112,16,48,202)] with Clearing Corporation of India Ltd. for Collataralised Borrowings and Lending Obligations (CBLO). The Bank has placed Fixed Deposit with IDBI Bank to cover its operations under Working Capital arrangement with IDBI Bank.

17 As required under Accounting Standard-17 'Segment Reporting' the Bank has disclosed "Business segment" as the Primary Segment. Since the Bank operates in India, there are no reportable geographical segments. Under Business Segment, the Bank has identifed Direct Finance, Indirect Finance and Treasury as its three reporting segments. Treasury Operations were not included in last year's segment reporting. However, during the period ended March 31, 2012 treasury operations were more than the threshold limits of 10% of results. Hence, the same is required to be reported separately as per AS-17. These segments have been identified after considering the nature and risk profile of the products and services, the organization structure and the internal reporting system of the Bank. Previous years figures have been regrouped and reclassified to conform to the current year's methodology.

(₹ Crore)

	Business Segments	Direct Finance		Indirect Finance		Treasury		Total	
	Particulars	FY2011-12	FY2010-11	FY2011-12	FY2010-11	FY2011-12	FY2010-11	FY2011-12	FY2010-11
1	**Segment Revenue**	1,199	1,029	3,052	2,649	356	189	4,607	3,867
	Exceptional Items							0	0
	Total							**4,607**	**3,867**
2	**Segment Results**	400	378	613	543	130	42	1,143	963
	Exceptional Items							-	-
	Total							**1,143**	**963**
	Unallocable Expenses							69	116
	Operating profit							1,074	847
	Income Tax (Net of write back)							507	333
	Net profit							**567**	**514**
3	**Other information**								
	Segment Assets	11,418	10,969	43,010	35,610	4,103	3,996	58,531	50,575
	Unallocated Assets							854	642
	Total Assets							**59,385**	**51,217**
	Segment Liabilities	8,931	8,830	39,418	32,170	3,349	3,157	51,698	44,157
	Unallocated Liabilities							909	741
	Total							**52,607**	**44,898**
	Capital / Reserves	2,478	2,103	3,555	3,401	745	815	6,778	6,319
	Total							**6,778**	**6,319**
	Total Liabilities							**59,385**	**51,217**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

18 As a part of hedging strategy, the Bank has placed foreign currency funds drawn under various lines of credit with scheduled commercial banks and have availed loan / overdraft facility in Indian Rupees against these deposits. Outstanding under these borrowings aggregated ₹ 985,07,54,958 as on March 31, 2012 (Previous Year ₹989,15,00,036). The interest receivable on these deposits matches with the interest payable on underlying liabilities.

19 In the opinion of the Management, there is no material impairment of the fixed assets of the Bank in terms of Accounting Standard 28- Impairment of Assets.

20 Employee Benefits

In accordance with the Accounting Standard on "Employee Benefits" (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the Bank has classified the various benefits provided to the employees as under:

(a) Defined contribution plan

Provident fund

The Bank has recognized the following amounts in Profit & Loss Account, which are included under Contributions to Provident funds:

(₹)

Particulars	March 31, 2012	March 31, 2011
Employer's contribution to provident fund	9,79,78,201	2,56,89,942

(b) The Bank is having defined benefit Pension Plans and Gratuity Scheme which are managed by the Trust.

(₹Crore)

		Pension		Gratuity	
		FY 2011-12	FY 2010-11	FY 2011-12	FY 2010-11
1.	**Assumptions**				
	Discount Rate - Previous	8.25%	8.25%	8.25%	8.25%
	Rate of Return on Plan Assets - Previous	8.00%	8.00%	8.00%	8.00%
	Salary Escalation - Previous.	5.50%	5.50%	5.50%	5.50%
	Discount Rate - Current	8.50%	8.25%	8.50%	8.25%
	Rate of Return on Plan Assets - Current	8.60%	8.00%	8.60%	8.00%
	Salary Escalation - Current	5.50%	5.50%	5.50%	5.50%
2.	**Table showing change in Benefit Obligation**				
	Liability at the beginning of the year	112.76	89.75	39.23	17.64
	Interest Cost	9.91	8.10	3.36	1.60
	Current Service Cost	11.22	8.93	2.18	2.01
	Past Service Cost (Non Vested Benefit)	0.00	0.00	0.00	0.00

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

(₹) Crore

	Pension		Gratuity	
	FY 2011-12	FY 2010-11	FY 2011-12	FY 2010-11
Past Service Cost (Vested Benefit)	0.00	0.00	0.00	15.16
Liability Transferred in	0.00	0.00	0.00	0.00
(Liability Transferred out)	0.00	0.00	0.00	0.00
(Benefit Paid)	(7.72)	(0.93)	(1.40)	(0.63)
Actuarial (gain) / loss on obligations	29.78	6.91	12.87	3.45
Liability at the end of the year	**155.95**	**112.76**	**56.24**	**39.23**
3. Tables of Fair value of Plan Assets				
Fair Value of Plan Assets at the beginning of the year	55.71	49.79	26.11	13.86
Expected Return on Plan Assets	4.79	4.04	3.44	1.98
Contributions	8.02	1.19	17.55	11.16
Transfer from other company	0.00	0.00	0.00	0.00
(Transfer to other company)	0.00	0.00	0.00	0.00
(Benefit Paid)	(7.72)	(0.93)	(1.40)	(0.63)
Actuarial gain / (loss) on Plan Assets	5.78	1.62	(0.78)	(0.26)
Fair Value of Plan Assets at the end of the year	66.58	55.71	44.92	26.11
Total Actuarial Gain / (Loss) to be recognised	**(24.00)**	**(5.29)**	**(13.65)**	**(3.71)**
4. Actual Return on Plan Assets				
Expected Return on Plan Assets	4.79	4.04	3.44	1.98
Actuarial Gain / (Loss) on Plan Assets	5.78	1.62	(0.78)	(0.26)
Actual Return on Plan Assets	10.57	5.66	2.66	1.72
5. Amount Recognised in the Balance Sheet				
Liability at the end of the year	155.95	112.76	56.24	39.23
Fair Value of Plan Assets at the end of the year	66.58	55.71	44.92	26.11
Difference	(89.37)	(57.05)	(11.32)	(13.12)
Unrecognised Past Service Cost at the end of the year	0.00	0.00	0.00	0.00
Unrecognised Transitional Liability at the end of the year	0.00	0.00	0.00	0.00
Net Amount recognised in the Balance Sheet	(89.37)	(57.05)	(11.32)	(13.12)

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2012

(₹ Crore)

		Pension		Gratuity	
		FY 2011-12	FY 2010-11	FY 2011-12	FY 2010-11
6.	**Expenses Recognised in the Income Statement**				
	Current Service Cost	11.22	8.93	2.18	2.01
	Interest Cost	9.91	8.10	3.36	1.60
	Expected Return on Plan Assets	(4.79)	(4.04)	(3.44)	(1.98)
	Past Service Cost (Non Vested Benefit) recognised during the year	0.00	0.00	0.00	0.00
	Past Service Cost (Vested Benefit) recognised during the year	0.00	0.00	0.00	15.16
	Recognition of Transition Liability during the year	0.00	0.00	0.00	0.00
	Actuarial (Gain) / Loss	24.00	5.29	13.65	3.71
	Expense Recognised in P&L	40.34	18.28	15.75	20.50
7.	**Balance Sheet Reconciliation**				
	Opening Net Liability	57.05	39.96	13.12	3.78
	Expense as above	40.34	18.28	15.75	20.50
	Employers Contribution	(8.02)	(1.19)	(17.55)	(11.16)
	Amount recognised in the Balance Sheet	89.37	57.05	11.32	13.12
8.	**Other Details**				
	Salary escalation is considered as advised by the Bank which is in line with the industry practice considering promotion, demand and supply of the employees.				
	Estimated Contribution for next year (12 months)	**12.71**	**7.63**	**2.52**	**1.96**
9.	**Category of Assets**				
	Government of India Assets	0.00	0.00	0.00	0.00
	Corporate Bonds	0.00	0.00	0.00	0.00
	Special Deposits Scheme	0.00	0.00	0.00	0.00
	Equity Shares of Listed Companies	0.00	0.00	0.00	0.00
	Property	0.00	0.00	0.00	0.00
	Insurer Managed Funds (LIC of India)	66.58	55.71	44.92	26.11
	Other	0.00	0.00	0.00	0.00
	Total	**66.58**	**55.71**	**44.92**	**26.11**
10.	**Experience Adjustment:**				

	Pension			Gratuity		
	FY 2011-12	FY 2010-11	FY 2009-10	FY 2011-12	FY 2010-11	FY 2009-10
On Plan Liability (Gain)/Loss	35.64	6.91	22.24	14.18	3.45	4.03
On Plan Asset (Loss)/Gain	5.78	1.62	0.83	(0.78)	(0.26)	0.17

(C) The following are the amount charged to Profit & Loss Account relating to other long term benefits plan based on the acturial valuation provided by independent actuary.

Sr. No	Particulars	As on March 31, 2012	As on March 31, 2011
1	Ordinary Leave Encashment	5.78	4.71
2	Leave Fare Concession (LFC)	0.00	0.09
3	Sick Leave	1.90	1.59
4	Resettlement Expenses	0.00	0.00
5	Voluntary Health Scheme (VHS)*	1.34	0.00

* Domiciliary claim has been assumed to go up by 2%.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2012

21	Disclosures under Accounting Standard - 29 for provisions in contingencies.		
	Particulars	**Wage Arrears / Incentive (₹)**	**Other Provisions (₹)**
	Opening Balance	44,85,00,000	4,06,34,298
	Additions:	6,78,00,000	-
	Utilisations:	(49,89,00,707)	-
	Write back	(17,99,293)	-
	Closing Balance	**1,56,00,000.00**	**4,06,34,298**
	Other Provision represents claims filed against the bank in the normal course of business relating to various legal cases and other claims for which bank is contigently liable.		
22	Other income includes recoveries on account of advances written off in earlier years ₹79.18 crore (previous year ₹39.83 crore]		
23	'Provisions and Contingencies' in Profit & Loss Account for the year ended March 31, 2012 are net off after write back of Stressed Asset provision of one of SFCs of ₹ 52.74 crore (previous year ₹ 94.31 crore), other provisions of NIL (previous year ₹ 5.48 crore) and for restructured assets of ₹12.77 crore (previous year NIL).		

24	Provision for Income Tax includes:			(₹)
	Sr. No.	**Particulars**	**FY 2011-12**	**FY 2010-11**
	(i)	Current Income Tax Provision	481,86,63,400	382,65,45,558
	(ii)	Short/(Excess) Income Tax Provision of Earlier Years	(60,83,072)	(10,05,01,949)
25	Conveyance deed in respect of certain Officer's Flats has not been executed due to pending legal matter, the net W.D.V. of these flats is ₹.10,16,03,409 (Previous year - ₹10,68,87,933) as on March 31, 2012.			

26	During the year Bank has sold its Advances portfolio (Direct) under direct assignment. The following tables set forth, for the periods indicated,the information on direct assignment activity of the Bank as an originator.	(₹)
	Particulars	**March 31, 2012**
	Opening Balance	-
	Total number of loan assets direct assigned	1,006
	Total book value of loan assets direct assigned	197,46,04,691
	Sale consideration received for the direct assigned assets	197,46,04,691
	Net gain/(loss) on account of direct assignment	-
27	Details of Customers complaints received, disposed off and pending for the year ended March 31, 2012.	
	Particulars	**FY 2011-12**
	Number of Complaints at the beginning of the year	4
	Add: Number of Complaints received during the year	63
	Less: Number of Complaints redressed during the year	64
	Number of Complaints pending at the end of the year	3
28	**Investor's Complaints:**	
	As on 1st April, 2011, the Bank had no pending investor's complaints. During the current financial year, no complaints were received from Investors and no complaint is pending for disposal as on March 31, 2012.	
29	Regulation 14 of Small Industries Development Bank of India General Regulations, 2000 prescribes separate format for presentation of accounts under Small Industries Development Assistance Fund(SIDAF) and General Fund. As no separate SIDAF has been notified by the Central Government, the same is not being maintained by SIDBI.	
30	Previous year's figures have been re-grouped and re-classified wherever necessary to make them comparable with the current years figures.	

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2012

(₹ Crore)

Additional disclosures as per RBI guidelines					
A.	**Capital**	**FY 2011-12**		**FY 2010-11**	
	a) Capital to Risk Assets Ratio [CRAR]	28.96%		30.60%	
	Core CRAR	27.83%		29.47%	
	Supplementary CRAR	1.13%		1.13%	
	b) The amount of subordinated debt raised and outstanding as Tier II capital	Nil		Nil	
	c) Risk weighted assets- separately for on and off-balance sheet items				
	On Balance sheet	27,770.91		24,983.20	
	Off Balance sheet	380.07		233.33	
	d) The share holding pattern as on the date of the Balance sheet	**No. of shares**		**Percentage of shareholding**	
	Financial Institutions	2,39,00,000		5.31	
	Insurance Companies	9,84,50,000		21.88	
	PSU Banks	32,76,50,000		72.81	
	Total	**45,00,00,000**		**100.00**	
B.	**Asset quality and credit concentration**				
		FY 2011-12		**FY 2010-11**	
	a) Percentage of net NPAs to net loans and advances	0.34		0.28	
	b) Provision Coverage Ratio	88%		91%	
	c) Amount and percentage of net NPAs to net advances under the prescribed asset classification categories				
		FY 2011-12		**FY 2010-11**	
	Category	**Amount**	**Percentage**	**Amount**	**Percentage**
	Sub-standard assets*	172.31	0.32	119.29	0.26
	Doubtful assets*	11.61	0.02	7.89	0.02
	Total	183.92	0.34	127.18	0.28
	* Adjusted provision in respect of restructured accounts classified as NPA.				
	d) Amount of provisions made during the year towards Standard assets, NPAs, Investments (other than those in the nature of an advance) and Income Tax				
	Particulars	**FY 2011-12**		**FY 2010-11**	
	Standard Assets *	590.28		367.59	
	NPAs	132.63**		246.48	
	Investments	67.18		8.27	
	Restructuring of Accounts $	0.00		0.06	
	Income Tax (including Deferred tax and write back of excess provision)	507.29		332.84	
	* includes general provision of ₹ 48.63 crore (previous year ₹ 31.19 crore) held in respect of Standard Assets , as per RBI guidelines.				
	** Net of write back of provision (₹ 45.03 crore)				
	$ During the FY 2012, net excess provisions of ₹ 12.77 crore for restructured accounts has been written back.				
	e) Movement of Non Performing Assets (NPAs)				
	Particulars	**FY 2011-12**		**FY 2010-11**	
	Gross NPA at the beginning of the financial year	279.05		77.10	
	Add : Additions during the year	287.07		329.11	
	Sub total (A)	**566.12**		**406.21**	
	Less:-				
	i) Upgradations	15.65		6.36	
	ii) Recoveries (excluding recoveries made from upgraded accounts)	86.22		14.55	
	iii) Write offs	90.74		106.25	
	Sub total (B)	**192.61**		**127.16**	
	Gross NPA at the close of the financial year (A - B)	**373.51**		**279.05**	

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Balance Sheet as at March 31, 2012

(₹ Crore)

	f) Movement of provisions for NPAs (excluding provisions on standard assets)		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Opening Balance at the beginning of the financial year	146.92	7.93
	Add: Provisions made during the year	177.65	246.48
	Less: Write-off / write-back of excess provisions	135.77	107.49
	Closing balance at the close of the financial year	188.80	146.92
	g) Movement in Net NPAs		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Opening Balance at the beginning of the financial year	127.18	69.09
	Add: Additions during the year	109.42	82.63
	Less: Reductions during the year	56.84	19.67
	Less: Provision for dimunition of fair value of restructured accounts classified as NPA*	-4.16	4.87
	Closing balance at the close of the financial year	183.92	127.18
	* Provision for dimunition of fair value of restructured accounts classified as NPA as on 31 March 2012 is ₹0.79 crore, as against ₹4.95 crore (₹0.08 crore is included in opening) as on 31 March 2011. Accordingly the figure has been worked out for FY 2012.		
	h) Movement of Floating Provisions		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Opening balance at the beginning of the financial year	-	-
	Add: Provisions made during the year	-	-
	Less: Purpose and amount of draw down made during the year	-	-
	Closing balance at the close of the financial year	-	-

C. Credit Exposure

a) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of :

Sr. No.	Particulars	FY 2011-12		FY 2010-11	
		As % to Total Assets	As % to Capital Funds	As % to Total Assets	As % to Capital Funds
1	The largest single borrower	10.62	70.75	10.95	66.25
	The largest borrower group	As large borrowers are Primary lending Institutions, the concept of borrower group is not applicable.			
2	The 10 largest single borrowers	40.24	267.97	39.27	237.63
	The 10 largest borrower group	As large borrowers are Primary lending Institutions the concept of borrower group is not applicable.			

b) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets*:

	FY 2011-12		FY 2010-11	
Name of Industry	**Amountl Outstanding**	**% to total loan Assets**	**Amount Outstanding**	**% to total loan Assets**
Transport Equipment (including Auto & Auto Components)	1,494.58	13.21	1,635.83	15.06
Electricity Generation	1,351.50	11.94	1,220.36	11.24
Textile /ReadyMade Garments & Hosiery	1,183.68	10.46	1,114.20	10.26
Cement	666.84	5.89	659.43	6.07
Metal Products**	660.56	5.84	580.62	5.35

* Exposure pertains to Assistance under Direct Finance

** Metal Products was not in top five largest industrial sectors in FY 2010-11

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2012

(₹ Crore)

D.	**Concentration of Deposits, Advances, Exposures and NPAs**				
	a) Concentration of Deposits	**FY 2011-12**		**FY 2010-11**	
	Total Deposits of twenty largest depositors (₹ Crore)	2,244.60		2,316.79	
	Percentage of deposits of twenty largest depositors to total deposits of the bank	88.49		87.26	
	b) Concentration of Advances	**FY 2011-12**		**FY 2010-11**	
	Total Advances to twenty largest borrowers (₹ Crore)	32,384.43		27,222.59	
	Percentage of advances to twenty largest borrowers to total advances of the bank	60.21		59.11	
	c) Concentration of Exposures	**FY 2011-12**		**FY 2010-11**	
	Total Exposures to twenty largest borrowers / customers (₹ Crore)	33,050.45		27,508.61	
	Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers	52.54		52.52	
	d) Concentration of NPAs - Total Exposure to top four NPA accounts (₹ Crore)	198.58		188.19	
	e) Sector wise NPAs				
	Particulars	**FY 2011-12**		**FY 2010-11**	
		Percentage of NPAs to Total Advances in that Sector			
	Agriculture & allied activities Industry (Micro, small, medium and large)	-		-	
	Industry (Micro, small, medium and large)	0.63		0.64	
	Services	1.98		0.30	
	Personal Loans	-		-	
	f) Overseas Assets, NPAs and Revenue				
	Particulars	**FY 2011-12**		**FY 2010-11**	
	Total Assets	-		-	
	Total NPAs	-		-	
	Total Revenue	-		-	
		FY 2011-12		**FY 2010-11**	
		Name of SPV Sponsored		**Name of SPV Sponsored**	
		Domestic	**Overseas**	**Domestic**	**Overseas**
	g) Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)	-	-	-	-
E	**Investments**				
	a) The Investments have been classified as under, as required by RBI guidelines:				
	Particulars	**FY 2011-12**		**FY 2010-11**	
	i) Held to Maturity	659.05		692.07	
	ii) Available for sale	2,329.17		1,776.83	
	iii) Held for Trading	-		-	
	iv) Others	-		50.00	
	Total	**2,988.22**		**2,518.90**	
	b) Provisions for depreciation in Investments				
	Particulars	**FY 2011-12**		**FY 2010-11**	
	Opening balance as at the beginning of the financial year	171.70		164.15	
	Add : Provisions made during the year	67.18		8.27	
	Add: Appropriations, if any, from Investment Fluctuation Reserve account	-		-	
	Less : Write off during the year	-		-	
	Less: Transfer, if any, to Investment Fluctuation Reserve account	-		-	
	Less: Appropriations made on account of shifting of G Sec from AFS to HTM during FY	-		0.72	
	Closing balance at the close of the financial year	**238.88**		**171.70**	

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2012

(₹ Crore)

	c) Issuer Categories in respect of Investment made:					
	Issuer	**Amount**	**Amount of**			
			Investment made through private placement	**Below Investment Grade Securities Held**	**Unrated securities held**	**Unlisted securities**
	PSUs	204.49	-		-	-
	FIs	282.01	276.98		-	249.98
	Banks	1,183.91	1,176.36		-	-
	Private Corporates	933.81	852.06		10.00	443.64
	Subsidiaries/Joint ventures	1.05	1.05		-	1.05
	Others	212.85	212.85		-	-
	Sub-Total	**2,818.12**	**2,519.30**	**-**	**10.00**	**694.67**
	Provision held towards depreciation	(236.82)	-	-	-	-
	Total	**2,581.30**	**2,519.30**	**-**	**10.00**	**694.67**

	d) Non-performing Investments:		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Opening balance as at the beginning of the financial year	124.26	2.41
	Additions during the year since 1st April	8.16	121.85
	Reductions during the above period	-	-
	Closing balance at the close of the financial year	**132.43**	**124.26**
	Total Provisions held	132.43	112.57

e) Sale & transfers of securities to /from HTM category:

During the current FY, the Bank shifted investments in Venture Capital Funds from HTM to AFS category in accordance with extant RBI guidelines. Except for the above, there was no shifting of investments to/from HTM category.

F	**Re-structured Accounts**						(₹ Crore)
		FY 2011-12			**FY 2010-11**		
	Particulars	**CDR Mechanism**	**SME Debt Restructuring**	**Others**	**CDR Mechanism**	**SME Debt Restructuring**	**Others**
	Standard Advances restructured						
	Number of borrowers	6		68	Nil	Nil	79
	Amount outstanding	863.88		95.99	0	0	240.02
	Sacrifice (diminution in the fair value)	21.58		2.77	0	0	12
	Sub-Standard Advances restructured						
	Number of borrowers	Nil		6	Nil	Nil	3
	Amount outstanding	0		28.95	0	0	31.39
	Sacrifice (diminution in the fair value)	0		0.08	0	0	1.57
	Doubtful Advances restructured						
	Number of borrowers	Nil		Nil	Nil	Nil	Nil
	Amount outstanding	0		0	0	0	0
	Sacrifice (diminution in the fair value)	0		0	0	0	0
	Total						
	Number of borrowers	6		74	Nil	Nil	82
	Amount outstanding	863.88		124.94	0	0	271.41
	Sacrifice (diminution in the fair value)	21.58		2.85	0	0	13.57

G	a) Assets sold to Securitisation Company / Reconstruction Company		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Number of Accounts	Nil	Nil
	Aggregate Value (net of provisions) of Accounts sold to SC / RC	-	-
	Aggregate Consideration	-	-
	Additional Consideration realised in respect of accounts transferred in earlier years	0.16	-
	Aggregate Gain / Loss over net Book Value	-	-

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2012

(₹ Crore)

	b) Corporate Debt Restructuring			
	Sr. No	**Particulars**	**FY 2011-12**	**FY 2010-11**
	(i)	Total Amount of Loan Assets subjected to Restructuring under CDR*	929.37	-
	(ii)	The Amount of Standard Assets Subject to CDR	863.88	-
	(iii)	The Amount of Sub-Standard Assets subject to CDR*	65.49	-
	*2 borrowers having aggregate outstanding of ₹ 65.49 Cr have been admitted / provisionally approved under CDR			

H	**Liquidity**						
	Maturity pattern of rupee and foreign currency assets and liabilities (As compiled by the management and relied upon by the auditors)						
	Items	**Less than or equal to 1 year**	**More than 1 year upto 3 years**	**More than 3 years upto 5 years**	**More than 5 years upto 7 years**	**More than seven years**	**Total**
	Rupee assets	35,472	19,466	4,989	1,499	2,652	64,078
	Foreign currency assets (Rupee Equivalent)						
	Dollar	468	1,099	361	143	1,228	3,299
	Euro	184	483	509	360	252	1,788
	Yen	10	1,292	290	349	1,119	3,060
	GBP	0	1	53	0	0	54
	Total Assets	**36,134**	**22,341**	**6,202**	**2,351**	**5,251**	**72,279**
	Rupee liabilities	16,898	21,435	10,532	2,056	16,765	67,686
	Foreign currency liabilities (Rupee Equivalent)						
	Dollar	96	828	174	172	1,698	2,968
	Euro	162	318	358	346	364	1,548
	Yen	10	285	476	577	1,690	3,038
	GBP	0	0	0	0	0	0
	Total Liabilities	**17,166**	**22,866**	**11,540**	**3,151**	**20,517**	**75,240**

I	**Operating results**			
	Sr. No	**Particulars**	**FY 2011-12**	**FY 2010-11**
	a)	Interest income as a percentage to average working funds*	8.46	7.97
	b)	Non-interest income as a percentage to average working funds	0.20	0.25
	c)	Operating profit as a percentage to average working funds (before provisions)	3.40	2.91
	d)	Return on average assets (before provisions for taxation)	2.02	1.80
	e)	Net Profit per employee (₹ crore)	0.55	0.50
	* Interset income includes recoveries out of bad bebts			
J	**Forward Rate Agreements & Interest Rate Swaps**			
	Sr. No	**Particulars**	**FY 2011-12**	**FY 2010-11**
	i)	No. of transactions outstanding	Nil	Nil
	ii)	Total outstanding notional principal (₹ Crore)	-	-
	iii)	Nature of swaps	-	-
	iv)	Terms	-	-
	v)	Accounting Policy	-	-
	vi)	Loss which would be incurred in case counterparties fail to fulfill their obligations (₹ Crore)	-	-
	vii)	Collateral required upon entering into swaps	-	-
	viii)	Concentraion of credit risk arising from swaps	-	-
	ix)	Fair value of swaps book (₹ Crore)	-	-

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Balance Sheet as at March 31, 2012

(₹ Crore)

K	Details in respect of Interest Rate Derivatives:		
	Particulars	**FY 2011-12**	**FY 2010-11**
	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument - wise)	-	-
	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31 (instrument - wise)	-	-
	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument - wise)	-	-
	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument - wise)	-	-
L	**Disclosure of risk exposure in derivatives**		
	a. Qualitative Disclosures		
	(i) The Bank uses derivatives for hedging of interest rate and exchange risk arising out of mismatch in the assets and liabilities. The Bank does not undertake trading in Derivatives.		
	(ii) Internal control guidelines and accounting policies are framed and approved by the Board. The derivative structures are undertaken only after the approval of ALCO. The particulars of derivative deals undertaken are also reported to ALCO/Board.		
	(iii) The Bank has put systems in place for mitigating the risk arising out of derivative deals. The Bank follows the accrual method for accounting the transactions arising out of derivative deals.		
	(iv) Provisions are made for Mark To Market losses, if any, at the year end.		
	b. Quantitative Disclosures		

		FY 2011-12		FY 2010-11	
Sr. No.	**Particulars**	**Currency Derivatives**	**Interest rate Derivatives**	**Currency Derivatives**	**Interest rate Derivatives**
1	Derivatives (Notional Principal Amount)				
	(i) For hedging	4,663.10	-	2,023.81	-
	(ii) For trading	-	-	-	-
2	Marked to Market Positions [1]				
	(i) Asset (+)	238.18	-	60.40	-
	(ii) Liability (-)	-	-	-	-
3	Credit Exposure [2]	586.72	-	163.71	-
4	Likely impact of one percentage change in interest rate (100* PV01)				
	(i) On hedging derivatives	313.77	-	88.43	-
	(ii) On trading derivatives	-	-	-	-
5	Maximum and Minimum of 100*PV01 observed during the year				
	(i) On hedging	313.77 / 118.89	-	95.80 / 67.52	-
	(ii) On trading	-	-	-	-

BY ORDER OF THE BOARD

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Cash Flow Statement for the year ended March 31, 2012

Cash Flow Statement for the year ended March 31, 2012

(₹)

March 31, 2011	Particulars	March 31, 2012	March 31, 2012
	1. Cash Flow from Operating Activities		
846,68,48,967	Net Profit before tax as per P & L Account		1074,14,15,954
	Adjustments for :		
16,46,17,249	Depreciation	13,19,98,830	
9,56,59,819	Provision for net depreciation in investments	67,18,49,951	
515,14,15,636	Provisions made (net of write back)	669,84,00,625	
(45,09,19,114)	Profit on sale of investments (net)	(49,69,96,773)	
(12,21,81,150)	Dividend Received on Investments	(16,08,69,496)	684,43,83,137
1330,54,41,407	**Cash generated from operations** (Prior to changes in operating Assets and Liabilities)		**1758,57,99,091**
	Adjustments for net changes in :		
(2,054,988,373)	Current assets	(453,68,62,876)	
2,301,113,302	Current liabilities	207,79,21,854	
(4,989,435,619)	Bills of Exchange	19,58,03,893	
(77,615,321,341)	Loans & Advances	(7767,72,48,214)	
49,480,315,377	Net Proceeds of Bonds and Debentures & other borrowings	5598,74,93,223	
34,034,940,767	Deposits received	1260,21,93,760	
1,156,624,113			**(1135,06,98,360)**
14,462,065,520			623,51,00,731
(3,871,429,278)	Payment of Tax	(353,21,70,047)	(353,21,70,047)
10,590,636,242	**Net Cash flow from operating Activities**		**270,29,30,684**
	2. Cash flow from Investing Activities		
(104,052,182)	Net (Purchase)/Sale of fixed assets	(12,73,97,006)	
(4,875,894,758)	Net (Purchase)/sale/redemption of Investments	(419,62,54,704)	
122,181,150	Dividend Received on Investments	16,08,69,496	
(4,857,765,790)	**Net cash used in Investing Activities**		**(416,27,82,214)**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Cash Flow Statement for the year ended March 31, 2012

(₹)

March 31, 2011	Particulars	March 31, 2012	March 31, 2012
	3. Cash flow from Financing Activities		
(1,305,620,530)	Dividend on Equity Shares & tax on Dividend	(130,14,20,053)	
(1,305,620,530)	**Net cash used in Financing Activities**		**(130,14,20,053)**
4,427,249,922	**4. Net increase/(decrease) in cash and cash equivalents**		**(276,12,71,583)**
11,752,464,213	**5. Cash and Cash Equivalents at the beginning of the period**		**1617,97,14,135**
16,179,714,135	**6. Cash and Cash Equivalents at the end of the period**		**1341,84,42,552**

Note : Cash Flow statement has been prepared as per the Indirect Method prescribed in AS-3 (Revised) 'Cash Flow Statement' issued by the Institute of Chartered Accountants of India (ICAI)

Significant Accounting Policies XV

Notes to Accounts XVI

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Auditor's Report

Auditor's Report

TO THE BOARD OF DIRECTORS OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the attached Consolidated Balance Sheet of Small Industries Development Bank of India and its subsidiaries and associates (collectively referred to as "the Group") as at March 31, 2012 and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Bank's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding component. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the 2 subsidiaries for the year ended March 31, 2012, whose financial statements reflect total assets of ₹29,87,46,396/-, total revenue of ₹ 13,84,28,453/- and net cash flows amounting to (₹ 61,29,060/-) for the year ended March 31, 2012. We also did not audit the financial statements of the 2 associates in whose financial statements the Group's share of profit is ₹24,91,531/- for the year ended March 31, 2011. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us and our opinion is based solely on the report of the other auditors.

We have relied on the unaudited financial statements and other financial information furnished by the management with respect to 3 associates in whose financial statements the Group's share of profit is ₹1,48,11,871/- for the year ended March 31, 2012. We are unable to comment upon resultant impact, if any, on the Group's share of profit as at March 31, 2012, had the associates been audited.

Without qualifying our report, we draw attention to:

(a) Note nos 4B and 4D of Annexure I to Consolidated Accounts with regard to non-consolidation of 7 associates wherein as per the management the carrying amount of the investments are not realisable and are fully provided for.

(b) Note nos 4C and 4D of Annexure I to Consolidated Accounts with regard to non-consolidation of 8 associates, as in view of the management these are not significant components and hence not considered for consolidation.

We report that the Consolidated Financial Statements have been prepared by the Bank's management in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements" and AS 23, "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and on the basis of the separate financial statements of the Bank and its Subsidiaries & Associates included in the consolidated financial statements.

The Consolidated financial statements of the Group for the year ended March 31, 2011 were audited by another auditor whose report dated May 2, 2011 expressed an unqualified opinion on those financial statements. Balance as on March 31, 2011 have been considered as opening balances for the purposes of these Consolidated financial statements.

Based on our audit and on consideration of the report of the other auditor on separate financial statements and on other financial information of the component, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;

ii) in the case of the Consolidated Statement of Profit and Loss, of the profits of the Group for the year ended on that date; and

iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
FRN. 103523W

Rakesh Rathi
Partner
M. No. 045228

Place : Mumbai
Date : 18.06.2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Consolidated Balance Sheet as at March 31,2012

Appendix-II

Consolidated Balance Sheet as at March 31,2012

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2012	March 31, 2011
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	6368,37,11,971	5905,07,72,514
Deposits	III	15734,19,98,738	14473,42,76,978
Borrowings	IV	30387,58,50,090	24788,83,56,866
Other Liabilities and Provisions	V	6341,67,34,163	5517,94,59,906
Deferred Tax Liability		137,78,57,073	111,70,22,805
Total		59419,61,52,035	51246,98,89,069
ASSETS			
Cash and Bank Balances	VI	1349,95,06,576	1626,13,79,219
Investments	VII	2761,35,07,005	2367,61,22,834
Loans & Advances	VIII	53785,06,70,144	46053,63,34,655
Fixed Assets	IX	201,30,32,759	201,66,25,305
Other Assets	X	1321,94,35,551	997,94,27,056
Total		**59419,61,52,035**	**51246,98,89,069**
Contingent Liabilities	XI	5043,53,49,784	2303,54,87,514

Significant Accounting Policies and Notes to Accounts (Annexure I)
The Schedules referred to above form an integral part of the Balance Sheet.

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Profit & Loss Account for the year ended March 31,2012

Consolidated Profit & Loss Account for the year ended March 31,2012

(₹)

INCOME	SCHEDULES	March 31, 2012	March 31, 2011
Interest and Discount	XII	4423,27,18,845	3707,75,61,933
Other Income	XIII	191,92,49,002	166,28,98,865
Total		**4615,19,67,847**	**3874,04,60,798**
EXPENDITURE			
Interest & Financial charges		2523,25,26,495	2224,01,96,231
Operating Expenses	XIV	276,01,29,888	274,87,28,865
Provisions & Contingencies		736,27,50,575	524,00,75,455
Total		**3535,54,06,958**	**3022,90,00,551**
Profit before Tax		**1079,65,60,889**	**851,14,60,247**
Provision for Income Tax		484,42,09,931	375,23,06,605
Deferred Tax Adjustment [(Asset) / Liability]		26,08,34,268	(39,78,48,090)
Share of earning (loss) in associates		1,73,03,402	2,10,19,045
Profit after Tax		570,88,20,092	517,80,20,777
Profit brought forward		14,91,89,362	-
Total Profit / (Loss)		**585,80,09,454**	**517,80,20,777**
Appropriations			
Transfer to General Reserve		340,55,00,000	300,51,00,000
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		80,00,00,000	70,00,00,000
Transfer to Staff Welfare Fund		1,00,00,000	1,00,00,000
Dividend on Shares		112,50,00,000	112,50,00,000
Tax on Dividend		18,85,86,565	18,87,31,415
Surplus in Profit & Loss account carried forward		32,89,22,889	14,91,89,362
Total		**585,80,09,454**	**517,80,20,777**

Basic/Diluted Earning Per Share		12.69	11.51

Significant Accounting Policies and Notes to Accounts (Annexure I)
The Schedules referred to above form an integral part of the Profit & Loss Account.

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31,2012

(₹)

CAPITAL AND LIABILITIES	March 31, 2012	March 31, 2011
Schedule I:		
Capital		
(a) Authorized Capital		
- Equity Share Capital (75,00,00,000 Equity Shares of ₹10/- each)	750,00,00,000	750,00,00,000
- Preference Share Capital (25,00,00,000 Redeemable Preference Shares of ₹10/- each)	250,00,00,000	250,00,00,000
(b) Issued, Subscribed and Paid-up Capital :		
- Equity Share Capital (45,00,00,000 Equity Shares of ₹10/- each)	450,00,00,000	450,00,00,000
- Preference Share Capital	-	-
Total	**450,00,00,000**	**450,00,00,000**
Schedule II:		
Reserves, Surplus and Funds		
A) Reserves		
i) General Reserve		
- Opening Balance	4657,16,07,440	4358,39,62,868
- Additions during the year	340,91,96,241	298,76,44,572
- Utilisations during the year	-	-
- Closing Balance	**4998,08,03,681**	**4657,16,07,440**
ii) Specific Reserves		
a) Investment Reserve		
- Opening Balance	55,19,63,645	55,19,63,645
- Additions during the year	-	-
- Utilisations during the year	-	-
- Closing Balance	**55,19,63,645**	**55,19,63,645**
b) Special Reserve created and maintained u/s 36 (1) (viii) of The Income Tax Act, 1961		
- Opening Balance	957,00,00,000	887,00,00,000
- Additions during the year	80,00,00,000	70,00,00,000
- Utilisations during the year	-	-
- Closing Balance	**1037,00,00,000**	**957,00,00,000**
B) Surplus in Profit and Loss account	**32,89,22,889**	**14,91,89,362**
C) Funds		
a) National Equity Fund		
- Opening Balance	197,22,19,496	167,44,64,973
- Additions / Write back during the year	25,17,47,194	29,77,54,522
- Utilisations during the year	-	-
- Closing Balance	**222,39,66,690**	**197,22,19,495**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Consolidated Balance Sheet as at March 31,2012

(₹)

	March 31, 2012	March 31, 2011
b) Staff Welfare Fund		
- Opening Balance	23,57,92,572	24,25,71,858
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,77,37,506	1,67,79,286
- Closing Balance	**22,80,55,066**	**23,57,92,572**
c) Others	**-**	**-**
Total	**6368,37,11,971**	**5905,07,72,514**
Schedule III		
Deposits		
A) Fixed Deposits	2523,31,48,738	2647,84,76,978
B) From Banks		
a) Under MSME Refinance Fund	12710,88,50,000	11325,58,00,000
b) Under MSME Risk Capital Fund	500,00,00,000	500,00,00,000
c) Others -From Foreign & Private Sector Banks	-	-
Subtotal(B)	**13210,88,50,000**	**11825,58,00,000**
Total	**15734,19,98,738**	**144,734,276,978**
Schedule IV		
Borrowings		
I) Borrowings in India		
1. From Reserve Bank of India	-	-
2. From Government of India	3165,79,29,152	3151,62,33,693
(including Bonds subscribed by GOI of ₹21,72,80,00,000)		
3. Bonds & Debentures	12516,99,60,000	6787,09,60,000
4. From Other Sources		
- Commercial Paper	1320,00,00,000	750,00,00,000
- Certificate of Deposits	-	-
- Term Loans from Banks	4793,07,54,958	8189,15,00,036
- Term Money Borrowings	-	-
- Others	194,70,63,025	67,42,23,834
Subtotal (I)	**21990,57,07,135**	**18945,29,17,563**
II) Borrowings outside India		
(a) KFW, Germany	1131,27,76,193	1038,51,69,238
(b) Japan International Cooperation Agency (JICA)	4227,39,63,250	2796,14,40,002
(c) IFAD, Rome	117,44,77,331	106,88,32,539
(d) World Bank	2585,98,16,307	1726,08,80,551
(e) Others	334,91,09,874	175,91,16,973
Subtotal (II)	**8397,01,42,955**	**5843,54,39,303**
Total (I & II)	**30387,58,50,090**	**24788,83,56,866**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31,2012

(₹)

	March 31, 2012	March 31, 2011
Schedule V		
Other Liabilities and Provisions:		
Interest Accrued	1077,00,41,493	815,62,20,301
Others (including provisions)	3756,65,29,608	3088,42,79,459
Provisions for Exchange Rate Fluctuation	1142,36,15,837	1296,85,31,336
Contingent provisions against standard assets	234,29,60,660	185,66,97,395
Proposed Dividend (including tax on dividend)	131,35,86,565	131,37,31,415
Total	**6341,67,34,163**	**5517,94,59,906**
Assets		
Schedule VI		
Cash & Bank Balances		
1. Cash in Hand & Balances with Reserve Bank of India	607,005	779,625
2. Balances with Other Banks		
(a) In India		
i) in current accounts	28,84,75,683	432,02,63,918
ii) in other deposit accounts	132,74,92,900	180,65,70,000
(b) Outside India		
i) in current accounts	342,42,628	1,65,57,823
ii) in other deposit accounts	1184,86,88,360	1011,72,07,853
Total	**1349,95,06,576**	**1626,13,79,219**
Schedule VII		
Investments		
[net of provisions]		
A) Treasury operations		
1. Securities of Central and State Governments	158,57,41,352	110,97,41,977
2. Shares of Banks & Financial Institutions	23,95,12,137	23,95,12,137
3. Bonds & Debentures of Banks & Financial Institutions	247,25,86,000	207,73,93,752
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	2,51,08,38,841	251,08,38,841
5. Short Term Bills Rediscounting Scheme	122,94,24,384	75,73,12,439
6. Others	1007,66,28,885	959,44,29,476
Subtotal (A)	**1811,47,31,599**	**1628,92,28,622**
B) Business Operations		
1. Shares of Banks & Financial Institutions	62,56,62,510	59,17,51,070
2. Bonds & Debentures of Banks & Financial Institutions	252,56,652	50,67,78,002
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	660,42,45,730	476,14,01,172
4. Investment in Subsidiaries		
5. Others	224,36,10,514	152,69,63,968
Subtotal (B)	**949,87,75,406**	**738,68,94,212**
Total (A+B)	**2761,35,07,005**	**2367,61,22,834**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31,2012

(₹)

	March 31, 2012	March 31, 2011
Schedule VIII		
Loans & Advances		
[Net of Provisions]		
A) Refinance to		
- Banks and Financial Institutions	39055,48,41,211	31980,79,93,696
- Micro Finance Institutions	1575,84,72,025	2773,99,87,321
- NBFC	1838,10,24,857	425,85,65,100
- Bills Rediscounted	-	-
- Others (Resource Support)	-	3,80,00,000
Subtotal (A)	**42469,43,38,093**	**35184,45,46,117**
B) Direct Loans		
- Loans and Advances	8683,50,89,350	8186,00,65,749
- Receivable Finance Scheme	2499,59,13,361	2491,99,47,836
- Bills Discounted	132,53,29,340	191,17,74,953
Subtotal (B)	**11315,63,32,051**	**10869,17,88,538**
Total (A+B)	**53785,06,70,144**	**46053,63,34,655**
Schedule IX		
Fixed Assets		
[Net of Depreciation]		
1. Premises	199,32,01,777	199,46,00,714
2.Others	198,30,982	2,20,24,591
Total	**201,30,32,759**	**201,66,25,305**
Schedule X :		
Other Assets:		
Accrued Interest	668,23,91,572	556,35,18,079
Advance Tax (Net of provision)	60,20,41,194	190,03,19,286
Others	459,47,02,334	133,19,30,060
Expenditure to the extent not written off	134,03,00,451	118,36,59,631
Total	**1321,94,35,551**	**997,94,27,056**
Schedule XI:		
CONTINGENT LIABILITIES		
I) Claims against the Bank not acknowledged as debts	114,68,60,262	76,16,58,968
ii) On account of Guarantees / Letters of Credit	148,01,28,084	123,86,74,475
iii) On account of Forward Contracts	117,73,61,438	79,70,54,071
iv) On account of Underwriting Commitments	-	-
v) On account of uncalled monies on partly paid shares, debentures	-	-
vi) Other items for which the Bank is contingently liable	4663,10,00,000	2023,81,00,000
Total	**5043,53,49,784**	**2303,54,87,514**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Profit & Loss Account for the year ended March 31,2012

(₹)

	March 31, 2012	March 31, 2011
Schedule XII		
Interest and Discount		
1. Interest and Discount on Loans, Advances and Bills	4118,93,80,189	3565,86,60,496
2. Income on Investments / Bank balances	304,33,38,656	141,89,01,437
Total	**4423,27,18,845**	**3707,75,61,933**
Schedule XIII		
Other Income:		
1. Upfront and Processing Fees	43,70,75,528	35,38,89,738
2. Commission and Brokerage	1,86,35,127	1,98,81,257
3. Profit on sale of Investments	49,69,96,773	45,09,19,114
4. Income earned by way of dividends etc. from Subsidiaries / Associates	-	-
5. Provision of Earlier Years written Back	-	-
6. Others	96,65,41,574	83,82,08,756
Total	**191,92,49,002**	**166,28,98,865**
Schedule XIV		
Operating Expenses:		
Payments to and provisions for employees	198,68,09,071	152,06,42,385
Rent, Taxes and Lighting	14,49,79,706	14,50,47,560
Printing & Stationery	80,79,818	86,04,546
Advertisement and Publicity	2,36,57,972	1,54,84,161
Depreciation / Amortisation on Bank's Property	13,28,66,299	16,49,25,167
Directors' fees, allowances and expenses	32,54,230	43,67,257
Auditor's Fees	18,96,278	17,39,314
Law Charges	86,78,246	73,45,136
Postage, Courier, Telephones etc	34,01,704	37,41,126
Repairs and maintenance	7,15,38,291	6,02,41,161
Insurance	32,26,752	33,74,738
Contribution to CGTMSE	1,22,50,000	50,00,00,000
Other Expenditure	35,94,91,521	31,32,16,314
Total	**276,01,29,888**	**274,87,28,865**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2012

(₹)

Additional Notes to Consolidated Accounts

Annexure - I - Significant Accounting Policies

1 All the significant accounting policies as mentioned in Schedule XV of the standalone financial statements have also been followed in the preparation of consolidated financial statements.

2 The financial statements of the Bank and its subsidiary companies are combined on a line to line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses after fully eliminating intra group balances and inter group transactions in accordance with AS-21" Consolidated Financial Statements". The Associates are accounted for using the equity method as prescribed by AS-23 " Accounting for Investments in Associates in Consolidated Financial Statements".

3 Details of Subsidiaries included in consolidated financial statements are:

Sr. No.	Name of the subsidiary	Country of Incorporation	Proportion of ownership	Profit/Loss
1	SIDBI Venture Capital Ltd.	India	100%	5,48,54,662
2	SIDBI Trustee Company Ltd.	India	100%	56,73,618
	Total			**6,05,28,280**

Financial statements of the subsidiaries are audited

4. A Details of Associates included in consolidated financial statements are as follows :

Sr. No.	Name of the Associate	(%) Holding	Description	Investment	Share of Profit/(loss)	Share in reserves *
1	SMERA	34.29	Credit Rating Agency for SME's	5,10,00,000	1,00,93,545	(1,48,70,484)
2	ISTSL	22.73	Technology Support to SME's	1,00,00,000	7,03,494	15,93,497
3	ISARC	26.00 **	Asset Reconstruction Company	2,60,00,000	40,14,832	97,21,526
4	AFC	24.14	State Financial Corporation	2,22,08,800	17,46,537	31,31,114
5	DFC	24.04	State Financial Corporation	3,13,87,500	7,44,994	10,86,48,038
	Total			**14,05,96,300**	**1,73,03,402**	**10,82,23,691**

* Included in Reserve Fund of ₹4998,08,03,681/- (₹4657,16,07,440/-)in Schedule II A(i) of the Consolidated Balance sheet.

** includes 11% holding by SVCL (100% subsidiary of SIDBI).

B The results of the following associates are not included in the consolidated financial statements. However, full provision has been made in the financial statements for share of the losses.

Sr. No.	Name of the Associate	(%) Holding	Description	Investment	Share of profit/(loss)
1	BSFC	48.43	State Financial Corporation	18,84,88,500	(18,84,88,500)
2	GSFC	28.41	State Financial Corporation	12,66,00,000	(12,66,00,000)
3	JKSFC	32.39	State Financial Corporation	10,46,20,000	(10,46,20,000)
4	MSFC	39.99	State Financial Corporation	12,52,41,750	(12,52,41,750)
5	PFC	25.92	State Financial Corporation	5,23,51,850	(5,23,51,850)
6	UPSFC	24.18	State Financial Corporation	21,67,59,000	(21,67,59,000)
7	RFC	29.05	State Financial Corporation	15,99,10,000	(15,99,10,000)
	Total			**97,39,71,100**	**(97,39,71,100)**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31,2012

(₹)

C. In case of following entities, though the bank holds more than 20% of voting power, they are not treated as investment in associate under AS 23 'Accounting for Investment in Associates in Consolidated Financial Statements', because they are not considered as material investments requiring consolidation.

Sr. No.	Name of the Associate	(%) Holding	Description	Investment
1	APITCO Ltd.	41.29	Technical Consultancy Organisation	54,70,975
2	J & K Industrial and Technical Consultancy Organisation Ltd.	48.65	Technical Consultancy Organisation	1
3	KITCO Ltd.	49.77	Technical Consultancy Organisation	24,95,296
4	North Eastern Industrial Consultants Ltd.	20.78	Technical Consultancy Organisation	13,474
5	North Eastern Industrial and Technical Consultancy Organisation Ltd.	43.44	Technical Consultancy Organisation	1
6	Orissa Industrial and Technical Consultancy Organisation Ltd.	49.42	Technical Consultancy Organisation	1
7	U.P Industrial Consultants Ltd.	48.99	Technical Consultancy Organisation	15,33,472
8	West Bengal Consultancy Organisation Ltd.	26.00	Technical Consultancy Organisation	486,783
	Total			**1,00,00,003**

D. Financial statements of the associates other than State Financial Corporations's (SFC) mentioned in 4A and 4B are unaudited for the year ended March 31,2012. The figures for SFC's other than JKSFC are based on audited results for the year ended March 31,2011. In respect of JKSFC, provisional results are available for the year ended March 31,2011.

The Bank has not incurred any obligation or made payment on behalf of associates mentioned in 4 B and 4C above or otherwise provided guarantee or commitment for the losses made by the associates in excess of its investment value in the associates.

5 Details of significant transactions with associates are as under:

Sr. No.	Name of the Associate	Particulars	Disbursements	Repayments
1	DFC	Refinance assistance	6,00,00,000	12,82,83,469
2	RFC	Refinance assistance	75,00,00,000	77,17,13,166
3	UPSFC	Refinance assistance	-	2,00,00,000
4	JKSFC	Refinance assistance	-	44,08,00,000

6 As against depreciation policy of SIDBI whereby assets are depreciated on SLM / WDV at pre-determined rates, the subsidiaries and associates compute depreciation on WDV basis as per Schedule XIV of the Companies Act, 1956. Thus out of the total depreciation of ₹13,28,66,299/- (₹16,49,25,167/-) included in Consolidated Financial Statements,0.65 % (0.19%) of the amount is determined based on Depreciation provided as per the Companies Act, 1956.

7 As all shares of the subsidiaries are owned by SIDBI directly or indirectly, no separate disclosure relating to minority interest is reflected.

8 Aggregate remuneration paid to whole time director of SVCL is ₹36,59,818/- Previous Year (₹14,07,810/-).

9 **Earning Per Share (EPS):**

	March 31, 2012	March 31, 2011
Net Profit considered for EPS calculation	570,88,20,092	517,80,20,777
Number of equity shares of face value ₹10 each	45,00,00,000	45,00,00,000
Earning per share	12.69	11.51

10 **Contingent Liabilities**

SVCL has disputed liability towards municipal taxes, the amount of which cannot be determined.

11 Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries have no bearing on the true and fair view of the Consolidated Financial Statments and also the information pertaining to the items which are not material have not been disclosed in the Consolidated Financial Statements in view of the general clarification issued by the Institute of Chartered Accountants of India (ICAI).

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Cash Flow Statement for the year ended March 31, 2012

Consolidated Cash Flow Statement for the year ended March 31, 2012

(₹)

March 31, 2011	Particulars	March 31, 2012	March 31, 2012
	1. Cash Flow from Operating Activities		
851,14,60,247	Net Profit before tax as per Consolidated P & L Account		1079,65,60,889
	Adjustments for :		
16,49,25,167	Depreciation	13,28,66,299	
9,56,59,819	Provision for net depreciation in investments	67,18,49,951	
515,27,47,490	Provisions made (net of write back)	669,91,58,149	
(45,09,19,114)	Profit on sale of investments (net)	(49,69,96,773)	
(9,52,12,663)	Dividend/Interest Received on Investments	(13,60,43,832)	687,08,33,794
1337,86,60,946	**Cash generated from operations** (Prior to changes in operating Assets and Liabilities)		**1766,73,94,683**
	Adjustments for net changes in :		
(205,76,23,652)	Current assets	(453,22,15,335)	
229,99,00,406	Current liabilities	207,77,90,831	
(498,94,35,619)	Bills of Exchange	19,58,03,893	
(7761,53,21,341)	Loans & Advances	(7767,72,62,634)	
4948,03,15,377	Net Proceeds of Bonds and Debentures & other borrowings	5598,74,93,223	
3401,36,65,767	Deposits received	1260,77,21,760	
113,15,00,938			**(1134,06,68,262)**
1451,01,61,884			632,67,26,421
(389,98,10,014)	Payment of Tax		(356,56,49,645)
1061,03,51,870	**Net Cash Flow from Operating Activities**		**276,10,76,776**
	2. Cash flow from Investing Activities		
(10,41,33,156)	Net (Purchase)/Sale of fixed assets	(12,91,57,948)	
(487,58,94,758)	Net (Purchase)/ sale/redemption of Investments	(422,12,39,704)	
9,46,12,278	Dividend/ Interest Received on Investments	13,50,96,568	
(488,54,15,636)	**Net cash used in Investing Activities**		**(421,53,01,084)**
	3. Cash flow from Financing Activities		
(131,18,48,820)	Dividend on Equity Shares & tax on Dividend	**(130,76,48,335)**	
(131,18,48,820)	Net cash used in Financing Activities		**(130,76,48,335)**

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Consolidated Cash Flow Statement for the year ended March 31, 2012

(₹)

March 31, 2011	Particulars	March 31, 2012	March 31, 2012
441,30,87,414	**4. Net increase/(decrease) in cash and cash equivalents**		**(276,18,72,643)**
1184,82,91,805	**5. Cash and Cash Equivalents at the beginning of the period**		**1626,13,79,219**
1626,13,79,219	**6. Cash and Cash Equivalents at the end of the period**		**1349,95,06,576**

Note :Cash Flow statement has been prepared as per the Indirect Method prescribed in AS-3 (Revised) 'Cash Flow Statement'issued by the Institute of Chartered Accountants of India (ICAI)

Significant Accounting Policies and Notes to Accounts (Annexure I)

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.
Chartered Accountants
FRN.103523W

Rakesh Rathi
Partner
M.No. 045228
18.06.2012

V. S. Rathore
Executive Director

N.K. Maini
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

P.A. Sethi
Director

S.K. Tuteja
Director

Mumbai, June 02, 2012

SIDBI BRANCH NETWORK

Head Office : SIDBI Tower, 15, Ashok Marg, Lucknow-226001, Uttar Pradesh, India
Tel.: 0522-2288546-50 Fax : 0522-2288455-59 Telegram : LAGHUVIKAS

Regional Office	Branch Name
Ahmedabad	Ahmedabad, Rajkot, Gandhidham, Baroda, Surat, Vatva, Jamnagar, Vapi
Bangalore	Bangalore, Hosur, Hubli, Peenya, Mysore
Chandigarh	Chandigarh, Jammu, Ludhiana, Jalandhar, Shimla, Baddi
Chennai	Chennai, Ambattur, Pudducherry
Coimbatore	Coimbatore, Kochi, Tirupur, Erode, Trichy, Madurai
Faridabad	Faridabad, Gurgaon
Guwahati	Guwahati, Aizawl, Agartala, Dimapur, Gangtok, Imphal, Itanagar, Shillong
Hyderabad	Hyderabad, Visakhapttanam , Balanagar, Rajahmundry, Vijayawada
Indore	Indore, Bhopal, Nagpur, Raipur, Bilaspur
Jaipur	Jaipur, Jodhpur, Udaipur, Kishengarh, Alwar.
Kolkata	Kolkata, Bhubaneshwar, Ranchi, Jamshedpur, Rourkela, Patna
Lucknow	Lucknow, Kanpur, Varanasi, Agra
Mumbai	Andheri, BKC, Mumbai Metro, Thane, Panaji
New Delhi	New Delhi, Noida, Dehradun, Rudrapur, Okhla, Roorkee, Ghaziabad, Greater Noida, Janakpuri, Kundli
Pune	Pune, Nasik, Aurangabad, Waluj, Ahmednagar, Kolhapur, Chinchwad

SIDBI
Small Industries Development Bank of India

Call Toll Free No. : 1800 22 6753 or visit www.sidbi.in

SIDBI

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

www.sidbi.in