

21 ANNUAL REPORT
2010-11

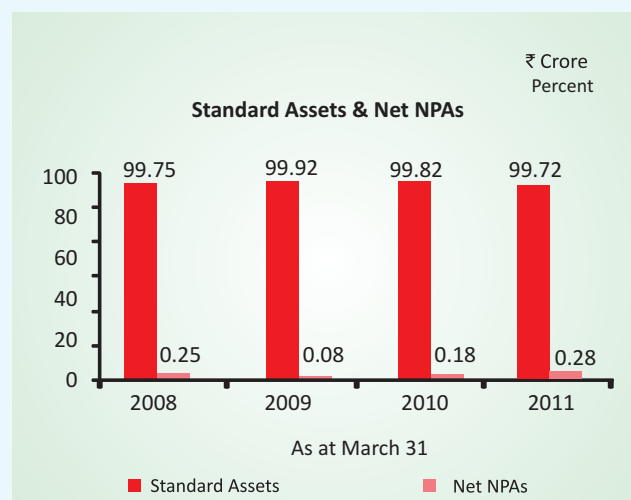
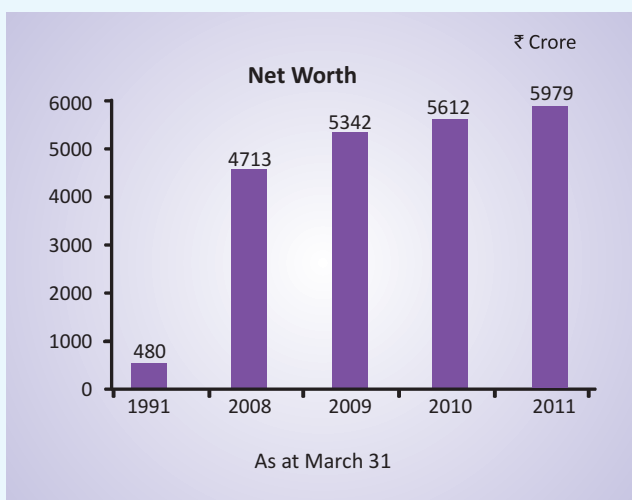
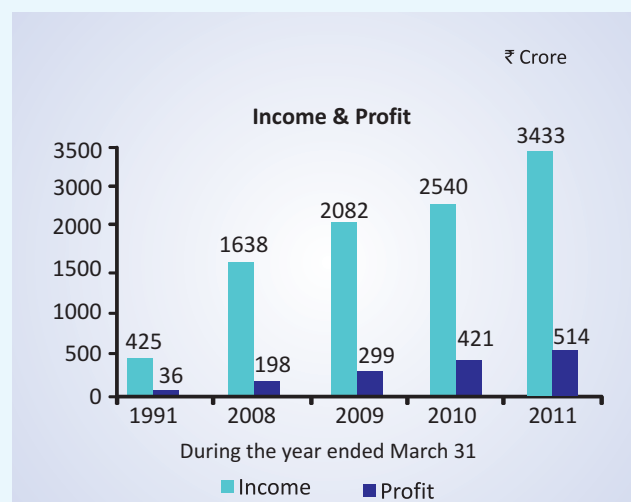
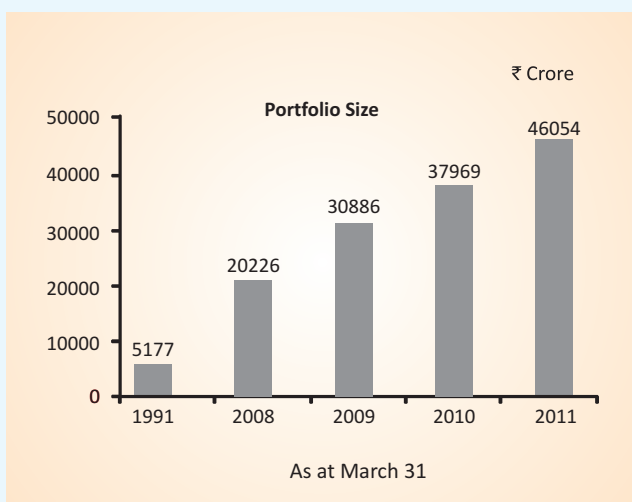
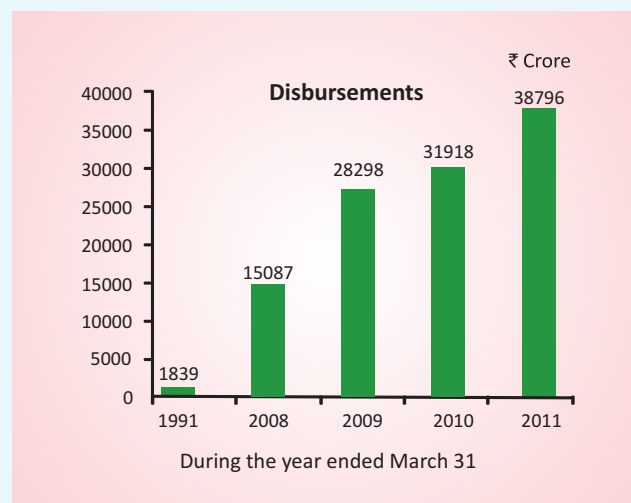
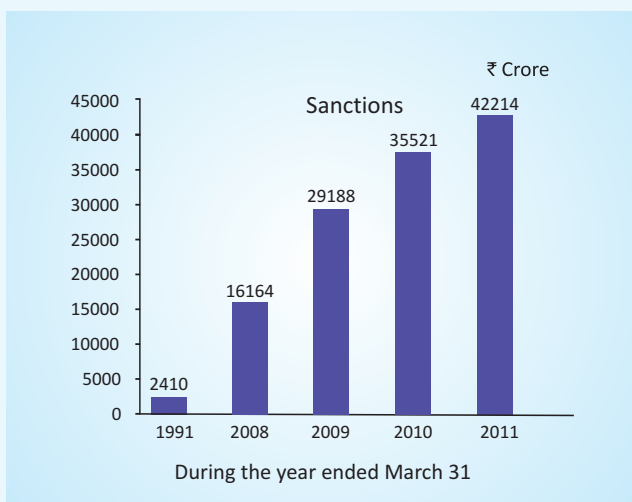


Empowering MSMEs



Small Industries Development Bank of India

Highlights



Small Industries Development Bank of India

Report of the Board of Directors for the year ended March 31, 2011 submitted to the Central Government in terms of Section 30 (5) of the Small Industries Development Bank of India Act, 1989.

July 28, 2011

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*This Report is printed on Recycled papers
except the separators and covers.*

Letter of Transmittal

Small Industries Development Bank of India

Head Office

SIDBI Tower,
15, Ashok Marg,
Lucknow.

July 28, 2011

The Additional Secretary,
Department of Financial Services,
Ministry of Finance
Government of India,
New Delhi,

Dear Sir,

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, 2011; 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, 2011.

Yours Faithfully,



(S Muhnot)

Chairman & Managing Director

Board of Directors

(As on August 15, 2011)



Shri Sushil Muhnot



Shri Rakesh Rewari



Shri N.K. Maini



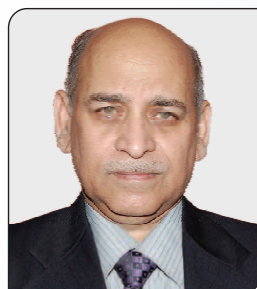
Dr. Shyam Agarwal



Shri Anurag Jain



Shri K. Sitaramam



Shri T.R. Bajalia



Shri B. Manivannan



Shri Vikas Raj



Shri Prakash Bakliwal



Shri M. Balachandran



Shri Janki Ballabh



Shri S.K. Tuteja



Shri P.A. Sethi

Committees of Directors

(As on August 15, 2011)

Executive Committee

Shri Sushil Muhnot
Shri Rakesh Rewari
Shri N.K. Maini
Shri T.R. Bajalia
Shri K. Sitaramam
Shri B. Manivannan
Shri S.K. Tuteja
Shri P.A. Sethi

Audit Committee

Shri S.K. Tuteja
Shri Rakesh Rewari
Shri N.K. Maini
Shri T.R. Bajalia
Shri B. Manivannan

Risk Management Committee

Shri Rakesh Rewari
Shri N.K. Maini
Shri Vikas Raj
Shri Prakash Bakliwal
Shri M. Balachandran
Shri Janki Ballabh

Committee for Supervision of SFCs

Shri Sushil Muhnot
Shri Rakesh Rewari
Shri N.K. Maini
Shri M. Balachandran
Shri Janki Ballabh

Special Committee for Monitoring of Large Value Frauds

Shri Sushil Muhnot
Shri Rakesh Rewari
Shri N.K. Maini
Shri T.R. Bajalia
Shri P.A. Sethi

Principal Executives

(As on August 15, 2011)

Executive Directors

Shri Raman N.
Shri Rathore V.S.

Chief General Managers

Shri Alai K.G.
Shri Bose B.K.
Shri Choudhury S.L.
Shri Dharmaji R.G.
Shri Garg S.C.
Shri Ghosh D.
Shri Gunasegaran S.
Shri Kapur A.K.
Shri Kaul Harsh
Smt. Krishnamurthy Bhama
Shri Lalwani U.J.
Shri Malik R.P.
Shri Nair K.M.
Shri Namgial
Shri Nandagopal S.V.G.
Shri Ram Nath
Shri Saha P.K.
Shri Singhwan K.S.
Shri Srivastava R.K.
Shri Subramanian M.
Shri Tata U.R.
Shri Vinod O.S.

Chief Vigilance Officer

Shri Agarwal P.

General Managers

Shri Agrawal R.K.
Smt. Alai C. K.
Shri Bakshee S.S.
Shri Bhanoo K.C.
Shri Burde S.D.
Shri Das R.K.
Shri Gaur U.C.
Shri Hedao V.S.
Shri Jagtap P.T.
Shri Karambelkar S.M.
Smt. Kaur P.

Shri Krishnakumar K.V.

Shri Kumar P.
Shri Lal U.S.
Dr. Madan N.K.
Shri Mahalwar S.
Shri Malgaonkar P.A.
Shri Mallikarjun S.
Shri Mandal P.N.
Shri Mani K.I.
Shri Menon R.S.
Shri Mittal M.
Shri Mukhopadhyay S.
Shri Nair M.R.
Shri Narjaree N.B.
Shri Narula N.K.
Shri Natarajan K.
Shri Pandey M.K.
Shri Ramakrishnan S.
Shri Raveesha M.K.
Shri Raveendra Das P.
Shri Rohatgi R.
Shri Rowe R.E.
Shri Samal A.R.
Shri Samarth S.S.
Shri Sathianandan K.
Shri Sharma M.K.
Shri Sharma R.K.
Shri Singh K.
Shri Singh S.N.
Smt. Sachdeva A.
Smt. Sood R.
Shri Sreenivas A.
Smt. Srinivasan N.
Shri Sridhar V.
Shri Sridharan V.
Shri Sundaram K.S.
Shri Tyagi R.
Shri Yadava R.N.
Executive Secretary Grade E
Ms. Munjwani L.T.

Mission

“To empower the Micro, Small and Medium Enterprises (MSMEs) sector with a view to contributing to the process of economic growth, employment generation and balanced regional development.”

Vision

“To emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer-friendly institution and for enhancement of shareholder wealth and highest corporate values through modern technology platform”.

Progress at a Glance

	(₹ Crore)				
Financial Year	1990-91	2007-08	2008-2009	2009-10	2010-11
Sanctions	2,410.1	16,164.4	29,188.0	35,521.3	42,213.7
Disbursements	1,838.8	15,087.2	28,297.8	31,917.9	38,795.9
As on March 31					
	1991	2008	2009	2010	2011
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	4,809.8	5,149.4	5,457.2	5,868.4
Outstanding Portfolio	5,176.8	20,226.5	30,885.9	37,969.0	46,053.6
Total Income	425.1	1,638.2	2,082.3	2,539.8	3,433.0
Net Profit	35.6	198.4	299.2	421.3	513.8
Dividend to Shareholders	5.0	67.5	67.5	112.5	112.5
Return on Avg. Outstanding Portfolio (%)	0.7	2.1	3.7	2.6	2.0
Standardised Assets as percentage of net outstanding portfolio	100	99.75	99.92	99.82	99.7
Capital to Risk Assets Ratio (%)	13.9	41.7	34.2	30.1	30.6

CHAIRMAN AND MANAGING DIRECTOR'S STATEMENT



Small Industries Development Bank of India (SIDBI) has been consistently involved with promotion, financing and development of the MSME sector since its inception in 1990. Apart from acting as a Refinancing Institution, the Bank has also been providing direct finance through its 103 branches to bridge the gaps in financing through niche, innovative financial products.

Some such innovative products of SIDBI are special financing scheme for energy efficiency / environment protection, providing equity / risk capital to start-ups and high growth MSMEs, receivable finance to improve the working capital cycle of MSMEs, 'Missing Middle' (from ₹ 50,000 to ₹ 10 lakh loan size) through 'Upscaling' and 'Downscaling' techniques, etc.

Further, SIDBI as the Principal Financial Institution for the MSME sector, has developed the Micro Finance Institutions (MFIs) sector with a view to target bottom-of-the-pyramid segment while promoting responsible financing. It has created a Lenders' Forum to promote cooperation among MFI lenders to promote transparency and reasonable interest rates, developed Code of Conduct assessment tools, etc.

Going beyond finance, SIDBI has adopted a 'Credit Plus' approach for promotion and capacity building of the MSME sector. Its flagship programme 'Rural Industries Development' in 120 districts have resulted in setting up of 37,000 micro enterprises in rural areas, thereby providing employment to more than 1 lakh persons. SIDBI also supports various entrepreneurship development and skill development programmes.

Cluster Development is another thrust area of the Bank. So far, the Bank has supported more than 100 Cluster Development Programmes (CDPs) in the areas of marketing support, IT training, skill development, regulatory compliance, awareness programmes, testing facilities, business information and Counselling Centres for micro enterprises, promotion of energy efficiency measures, etc. For the first time in India, on a larger scale, SIDBI's cluster development is delivered through private business development services (BDS) providers with the over-arching philosophy of 'Making the Market Work', rather than subsidy based approach hitherto been followed. SIDBI also developed an on-line portal called www.msmementor.in to match-make the demand for and supply of expert services to the MSME sector.

SIDBI's endeavour towards holistic development of the MSME sector is greatly supported by Government of India for providing special refinance support of ₹ 4,000 crore in FY 2011. With the support of Government of India, Reserve Bank of India, foreign partners and more importantly, the dedicated staff, SIDBI could achieve 21% growth in its credit outstanding to MSME sector. With a cumulative credit disbursement of ₹ 2,03,126 crore, SIDBI has benefited more than 320 lakh persons in the MSME sector. The dedicated services of SIDBI towards the Nation at large and the MSME sector in particular was also facilitated by its subsidiaries and associates.

Venture Capital

SIDBI Venture Capital Ltd. (SVCL), a wholly owned subsidiary of SIDBI set up in July 1999, is providing venture capital to emerging sectors, such as, life sciences, biotechnology, pharmaceuticals, engineering, information technology, etc. At present, it manages two SEBI registered venture capital funds, viz. the National Venture Fund for Software and Information Technology Industry (NFSIT) with a corpus of ₹ 100 crore and the SME Growth Fund (SGF) with a corpus of ₹ 500 crore. As on March 31, 2011, SVCL has committed ₹ 542 crore to innovative enterprises. SVCL has made partial/full exit in 33 companies and distributed aggregate amount of ₹ 263.8 crore to its contributors.

Credit Guarantee

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was set up in July 2000 by Government of India and SIDBI, to provide credit guarantee support to enable collateral free / third-party guarantee free loans upto ₹ 100 lakh being extended by banks and FIs for micro and small enterprises (MSEs). CGTMSE achieved 2.54 lakh guarantee approvals amounting to ₹ 12,589 crore during FY 2010-11, registering a growth of 68% in terms of number of accounts covered and 83% in terms of amount guaranteed over the previous financial year. Cumulatively, as on March 31, 2011, guarantee approvals were extended by CGTMSE to 5.52 lakh proposals covering credit assistance of around ₹ 23,846 crore.

Transfer of Technology

India SME Technology Services Limited (ISTSL) provides a platform for MSMEs for technology matchmaking, technology transfer, carbon credit, etc. in the MSME sector. During the year ended March 31, 2011, ISTSL conducted Peer review of Detailed Project Reports (DPRs) on behalf of Bureau of Energy Efficiency on identified energy efficient measures in 25 selected MSME clusters. The company is also engaged in a CDM project in Jodhpur foundry cluster.

Credit Rating

SME Rating Agency of India Ltd. (SMERA) was set up in September 2005 by SIDBI, some public, private and foreign banks and Dun & Bradstreet Information Services India Private Limited (D&B) 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 about 11,000 MSMEs, of which Micro and Small Enterprises constitute more than 97%, as on March 31, 2011.

Asset Reconstruction

India SME Asset Reconstruction Company Ltd. (ISARC), another associate of SIDBI, is the country's first MSME focused Asset Reconstruction Company 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. During FY 2011, ISARC has acquired 70 NPAs from 9 banks for an aggregate principal outstanding of ₹ 96.56 crore, through both portfolio sale processes as well as bilateral sale by banks.

Future Strategy

SIDBI will continue to fill in the existing gaps in credit delivery to the MSME sector. Provision of higher venture capital / risk capital to enhance the leveraging capacity of MSMEs will be a thrust area of the Bank. In this direction, SIDBI and SVCL will partner with various Ministries of Government of India and launch 'India Opportunity Fund' during the FY 2012. The Bank, along with NSE, would launch an SME Exchange and take steps towards market making for the exchange listings.

Further, in order to synergize various MSME dedicated schemes of different ministries to achieve optimal results, the Bank would proactively take the initiative to operate these MSME dedicated schemes.

In order to augment credit flow to the MSME sector, SIDBI would fully utilize ₹ 5,000 crore refinance support announced by the Government of India for the MSE sector and start channelising ₹ 100 crore 'India Micro Finance Equity Fund' to provide equity support to smaller MFIs.

SIDBI also proposes to launch a knowledge-based e-platform to provide information to potential entrepreneurs on how to set up new units and also improve the operational efficiency of existing MSMEs.

Going forward, SIDBI proposes to continue identifying gaps in MSME financing ecosystem and coordinate governmental efforts to address the same. It will empower the MSME sector to take on the world.



Micro, Small and Medium Enterprises –
Performance and Outlook

Micro, Small and Medium Enterprises – Performance and Outlook

The Global economy recovered considerably since the international financial crisis which originated from the USA in 2008. The global output, as per the International Monetary Fund (IMF) World Economic Outlook (September, 2011), recorded a growth of 5.1% during 2010 from a decline of -0.7% in 2009. The economic growth remained relatively resilient in emerging and developing economies, notwithstanding some moderation in response to monetary tightening to contain inflation. The world output is expected to record a growth of 4.0% in 2011.

The Indian economy made a strong turnaround since the global financial crisis. The GDP growth which decelerated to 6.8% in 2009, recovered faster to register a higher growth of 8% in 2010 and further 8.6% in 2011. However, during FY 2010-11 the growth in the Index of Industrial Production for FY 2010-11 stood lower at 7.8% as compared to 10.5% during the same period a year ago. The Manufacturing sector during FY 2010-11 registered a growth of 8.1% (11.0%). As per the Use-based classification, the Basic Goods, Capital Goods and Intermediate Goods during FY 2010-11 recorded a growth of 6.3%, 9.3% and 8.8%, respectively as against 7.2%, 20.9% and 13.6%, respectively, in FY 2009-10.



A unit assisted by SIDBI engaged in garment manufacturing at Gurgaon, Haryana

Micro, Small and Medium Enterprises Sector

The Micro, Small and Medium Enterprises (MSME) Sector is an important pillar of the Indian economy by way of creating employment of about 70 million through 30 million units, manufacturing more than 6000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly (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)
2007-08	272.79 (4.51)	5,58,190 (11.47)	7,90,759 (11.47)	626.34 (5.34)
2008-09	285.16 (4.53)	6,21,753 (11.39)	8,80,805 (11.39)	659.35 (5.35)
2009-10	298.08 (4.53)	6,93,835 (11.59)	9,82,919 (11.59)	695.38 (5.47)

Note: The figures in brackets show the percentage growth over the previous year.

NA : Not available

Source : Annual Report of Ministry of MSME, Government of India, FY 2010-11

Credit Flow to Micro and Small Enterprises sector by Scheduled Commercial Banks

As per the Reserve Bank of India, the outstanding credit to the Micro and Small Enterprises (MSE) sector by Scheduled Commercial Banks (SCBs) registered a growth of 21.8% during FY 2010-11 i.e. from ₹ 3,73,530 crore as at end March 2010 to ₹ 4,54,995 crore as at end March 2011 (Table 1.2).

Table 1.2 : Deployment of Bank Credit by Major Sectors (₹ crore)						
Sr. No	Sector	Outstanding as on last reporting Friday			Growth (Year-on-Year)	
		FY 2008-09	FY 2009-10	FY 2010-11	2009-10 %	2010-11 %
I	Non-food Gross Bank Credit (NFGBC) of which	26,01,825	30,40,007	36,67,354	16.8	20.6
	Priority Sector	9,32,459	10,92,179	12,39,386	17.1	13.5
A.	Micro & Small Enterprises of which	3,09,195	3,73,530	4,54,995	20.8	21.8
(a)	Manufacturing	1,68,997	2,06,401	2,29,101	22.1	11.0
(b)	Services	1,40,198	1,67,130	2,25,894	19.2	35.2
	MSE as % to Priority Sector	33.2	34.2	36.7		
	MSE as % to NFGBC	11.9	12.3	12.4		

Source : Reserve Bank of India (Sectoral Deployment of Bank Credit – April and July 2011)

The data on sectoral deployment of bank credit released by RBI reveals that the credit outstanding to manufacturing sector registered a lower growth of 11% in FY 2010-11 (22.1% in FY 2009-10) and its share in total credit outstanding to MSE sector also fell to 50% (55% as at end March, 2010). At the same time, the growth in credit to services sector and the share of services sector in total MSE credit showed improvement to 35.2% (19.2% in FY 2009-10) and 50% (45% as at end March, 2010), respectively.

Policy Environment

In order to support the MSMEs in an increasingly globalised world, marked by competition and innovation, newer and varied challenges, the Government of India and RBI have taken a number of proactive steps having a bearing on the MSME sector as mentioned below:

Union Budget 2011-12

The major steps initiated by Government of India relating to the MSME sector are :

- ◆ For the year 2011-12, ₹ 5,000 crore would be provided to SIDBI for refinancing incremental lending by banks to MSEs out of the shortfall of banks on priority sector lending targets.
- ◆ To create in the course of the year, “India Microfinance Equity Fund” of ₹ 100 crore with SIDBI for providing equity to smaller MFIs which would help them maintain growth and achieve scale and efficiency in operations.
- ◆ To empower women and promote their Self Help Groups (SHGs), create a “Women SHG’s Development Fund” with a corpus of ₹ 500 crore.
- ◆ Direct the Public Sector Banks to achieve the target of 15% as outstanding loans to minority communities at the earliest.
- ◆ Expect to take the share of manufacturing in GDP from about 16% to 25% over a period of ten years.
- ◆ To move beyond the formal R&D paradigm, a National Innovation Council has been set up to prepare a roadmap for innovations in India.
- ◆ National Skill Development Council (NSDC) is well on course to achieve its mandate of creation of 15 crore skilled workforce two years ahead of 2,022, the stipulated target year. Provide an additional ₹ 500 crore to the National Skill Development Fund during the next year.

- ◆ Target of providing banking facilities to all 73,000 habitations having a population of over 2,000 to be completed during 2011-12.
- ◆ To reduce the current surcharge of 7.5% on domestic companies to 5% and simultaneously, to increase the rate of Minimum Alternate Tax (MAT) from the current rate of 18% to 18.5% of book profits to keep the effective rate of the MAT at the same level.

RBI Monetary and Credit Policy

RBI has taken a monetary stance to nurture the recovery in the face of persistent global uncertainty while trying to contain the spillover of supply-side inflation. Some of the important measures were:

- ◆ Repo Rate and Reverse Repo Rate under the Liquidity Adjustment Facility (LAF) were raised to 8.25% and 9.25% in September, 2011.
- ◆ A suitable format has been devised by the RBI to capture and monitor the achievement of targets as envisaged in the recommendations of the High Level Task Force on MSME by banks (viz., 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13 and mandated to achieve a 10% annual growth in the number of micro enterprise accounts and a 20% year-on-year growth in credit to the MSE sector) and the same are regularly reviewed at the highest level. Banks, which lag behind in achieving the targets, have been mandated to submit an action plan to achieve the prescribed targets.
- ◆ A Sub-Committee of the Central Board of the RBI (Chairman: Shri Y. H. Malegam) was constituted to study issues and concerns in the Micro Finance Institution (MFI) sector. The Committee submitted its Report in January 2011. The Committee, inter alia, recommended (i) creation of a separate category of NBFC-MFIs; (ii) a margin cap and an interest rate cap on individual loans; (iii) transparency in interest charges; (iv) lending by not more than two MFIs to individual borrowers; (v) creation of one or more credit information bureau; (vi) establishment of a proper system of grievance redressal procedure by MFIs; (vii) creation of one or more “social capital funds”; and (viii) continuation of categorisation of bank loans to MFIs, complying with the regulation laid down for NBFC-MFIs, under the priority sector. The recommendations of the Committee were discussed with all stakeholders, including the Government of India, select State Governments, major Non-Banking Financial Companies (NBFCs) working as MFIs, industry associations of MFIs

working in the country, other smaller MFIs and major lending banks and Financial Institutions. In the light of the feedback received, it has been decided :

- To accept the broad framework of regulations recommended by the Committee;
 - That bank loans to all MFIs, including NBFCs working as MFIs, on or after April 1, 2011, will be eligible for classification as priority sector loans under respective category of indirect finance only if the prescribed percentage of their total assets are in the nature of “qualifying assets” and they adhere to the “pricing of interest” guidelines to be issued in this regard;
 - That a “qualifying asset” is required to satisfy the criteria of (i) loan disbursed by an MFI to a borrower with a rural household annual income not exceeding ₹ 60,000 or urban and semi-urban household income not exceeding ₹ 1,20,000; (ii) loan amount not to exceed ₹ 35,000 in the first cycle and ₹ 50,000 in subsequent cycles; (iii) total indebtedness of the borrower not to exceed ₹ 50,000; (iv) tenure of loan not to be less than 24 months for loan amount in excess of ₹ 15,000, with no prepayment penalty; (iv) loan to be extended without collateral; (v) aggregate amount of loan, given for income generation, not to be less than 75% of the total loans given by the MFIs; and (vi) loan to be repayable by weekly, fortnightly or monthly instalments at the choice of the borrower;
 - That banks should ensure a margin cap of 12% and an interest rate cap of 26% for their lending to be eligible to be classified as priority sector loans;
 - That loans by MFIs can also be extended to individuals outside the self-help group (SHG)/ joint liability group (JLG) mechanism; and
 - That bank loans to other NBFCs would not be reckoned as priority sector loans with effect from April 1, 2011.
- ◆ Based on the recommendations of the Malegam Committee, the RBI has proposed to appoint a Committee to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending classification.
- Enhancement of provisioning requirements on certain categories of non-performing advances and restructured advances as under :
 - Advances classified as “sub-standard” will attract a provision of 15% as against the existing 10% (the “unsecured exposures” classified as sub-standard assets will attract an additional provision of 10%, i.e., a total of 25% as against the existing 20%);

- The secured portion of advances which have remained in “doubtful” category up to one year will attract a provision of 25% (as against the existing 20%);
- The secured portion of advances which have remained in “doubtful” category for more than one year but upto 3 years will attract a provision of 40% (as against the existing 30%);
- Restructured accounts classified as standard advances will attract a provision of 2% in the first 2 years from the date of restructuring, or in cases of moratorium on payment of interest/ principal after restructuring, for the period covering moratorium and 2 years thereafter (as against existing provision of 0.25-1.00%, depending upon the category of advances); and
- Restructured accounts classified as non-performing advances, when upgraded to standard category will attract a provision of 2% in the first year from the date of upgradation (as against existing provision of 0.25-1.00%, depending upon the category of advances).

Economic Outlook

As per the IMF World Economic Outlook, September, 2011, the global output is expected to regain some momentum during the second half of 2011 and expected to register a growth of 4.0% each in 2011 and 2012. Real GDP growth in the advance economies is expected to gradually return to about 2 percent. Growth is expected to remain very elevated in emerging Asia, notably in China and India, followed by Sub-Saharan Africa. For India, the RBI, during its mid-quarter review in September, 2011, has projected growth rate of 7.7% for FY 2012, mainly due to weakening of growth momentum in advance economies and consequently, slowing of global demand coupled with domestic demand and decelerated growth in industry and services. However, the growth prospects in the medium to long term look stronger and sustainable. The Planning Commission has targeted 9% growth for the 12th Five Year Plan (2013-17), which would make India's economic growth faster, sustainable and inclusive, as enshrined in the 12th Five Year Plan Approach Paper.

The MSME sector, whose growth rate has been consistently higher than industrial sector and services sector, is expected to move on an upward growth trajectory. A positive outlook on MSME sector is supported by the time-bound implementation of the recommendations of PM's Task Force on MSME sector, more particularly the recent RBI policy guidelines of increasing MSE credit growth by 20% annually by banks,

earmarking 55% of MSE credit to micro enterprise sector by FY 2011-12 and 60% during FY 2012-13 and annual increase of 10% in micro enterprise credit accounts.

SIDBI always tries to ensure that adequate credit at competitive rates is made available to MSME sector either through banks, State Financial Corporations (SFCs), MFIs etc. or directly to meet the diverse credit and non-credit needs of the MSME sector.



Senior Executives and Board of Directors during the celebration of 21st Foundation Day of SIDBI



Strategic Business Initiatives

STRATEGIC BUSINESS INITIATIVES

The business strategy of SIDBI is oriented towards providing financial support to MSMEs through different phases of economic cycles, while continuing its thrust on financing of the MSMEs for their sustainable development. With its commitment to responsible banking and addressing the issues of climate change, SIDBI has integrated environment, energy efficiency and social standards with its lending activities. The Bank recognizes that sustainable development is the key to survival of MSMEs and their growth in the long run and accordingly, has taken a number of focused initiatives, which are briefly mentioned below:

Sustainable Banking

- ♦ **Promoting Energy Efficiency** - SIDBI contracted Lines of Credit (LoC) with Japan International Cooperation Agency (JICA), Japan - JPY 30 billion; Kreditanstalt für Wiederaufbau (KfW), Germany - Euro 50 million ; and Agence Française de Développement (AFD), France - Euro 50 million for promoting Energy Efficiency [EE] projects in MSME sector. Under these LoCs, apart from offering assistance at concessional rate of interest to MSMEs to take up energy efficiency investments, the Bank has also taken up promotional activities to showcase the advantages of EE investments in the energy intensive MSME clusters. The Bank mapped high energy intensive MSME clusters, prepared cluster profiles, suggested EE investments suitable to the clusters, conducted 19 awareness campaigns and 6 focused group meetings in various MSME clusters across the country for information dissemination. A list of over 600 energy efficient equipments in various industrial segments was circulated to MSME industry associations. The Bank has also provided training to its credit officers and officers in SFCs to improve their skills to assess energy efficiency lending proposals. It also provided refinance to banks and SFCs at concessional rate to encourage them to cover larger segments of MSMEs under EE investments. Till March 31, 2011, aggregate EE assistance of ₹ 2,404 crore was sanctioned to 4,295 MSMEs.



Strategic business dialogue with team from KfW, Germany
(In the photograph Ms. Barbara Schnell, Team Leader, Financial and Private Sector, Asia and Shri Rakesh Rewari, DMD, SIDBI)

- ◆ **Promoting Cleaner Production Measures** - SIDBI also contracted Euro 38.50 million Line of Credit (LoC) from KfW for promoting investment in clean production options in MSME sector. The objective of the Scheme is to achieve a reduction or avoidance of emission of green house gases and pollution. Assistance is offered to MSMEs for waste management [i.e. waste recycling, reduction in air, water and noise emissions, treatment and disposal of hazardous waste, etc.] at concessional terms. In addition, Common Effluent Treatment Plants (CETP) and Water Recycling Plants benefiting large number of MSMEs in the industrial clusters / zones are also eligible for assistance. So far, 94 MSME units have been assisted with aggregate term loan of ₹ 15.43 crore.
- ◆ **Green Loan Scheme** - The awareness about the environmental aspects among MSMEs has increased and the MSMEs have started adopting various measures in the areas of energy efficiency, waste recycling, waste treatment & disposal, ISO certifications, energy audit, Bureau of Energy Efficiency (BEE) star rating of their products, green rating, etc. for sustainability of their manufacturing facilities. To encourage small capital investments in environmentally sustainable and energy efficient manufacturing facilities / services, during FY 2010-11, a Green Loan Scheme was introduced for existing MSME customers of the Bank with simplified and faster credit delivery mechanism.
- ◆ **Green Rating** - To promote green rating in MSME sector, SIDBI, in association with SME Rating Agency of India Limited (SMERA), launched a pilot scheme called Green Rating for the first time in the country to encourage MSMEs to get their manufacturing facilities rated on environmentally sustainable parameters. The rating establishes compatibility of an industrial unit in adhering to manufacturing process resulting in efficient use of resources with minimum environmental damage. Green rating parameters are determined for each industry based on base level technologies and commercially viable clean technologies available for the sector. It also takes into account compliance of a unit's environmental regulatory norms. Under the arrangement, in pilot phase, 80% of the actual cost of Green Rating, subject to a maximum of ₹ 45,000 per unit, would be borne by SIDBI for first 50 MSMEs. The expenditure borne by SIDBI in pilot phase of Green rating would be reimbursed by KfW Environmental Line Technical Assistance Component. SMERA has developed rating model for steel sector and it is now in the process of developing rating models for other industrial sectors.
- ◆ **Programmatic Clean Development Mechanism (pCDM)** - SIDBI has taken up a programmatic CDM (pCDM) project in stainless steel re-rolling mill cluster at Jodhpur, Rajasthan as a development



Workshop on "Financing Competitiveness through Energy Efficiency"

project to provide Certified Emissions Reductions [CERs or carbon credits] to MSMEs on a cluster basis. There are about 100 stainless steel re-rolling units in Jodhpur.

- ♦ **WB-GEF Project – financing Energy Efficiency in MSME clusters** - The World Bank, with support from Global Environment Facility [GEF], has designed Programmatic Energy Efficiency project in 5 MSME clusters, viz. foundry cluster at Kolhapur, Forging at Pune, Limekilns at Tirunelveli, gas / electricity at Chemical at Ankleshwar and diversified cluster at Faridabad. The project is being implemented by SIDBI and BEE. The project would take up capacity building of industry associations, Special Purpose Vehicle (SPVs) and energy auditors in these clusters, conduct awareness programmes, facilitate 100 walkthrough audits and 15 complete audits and develop 500 bankable proposals in these 5 clusters. The project has started in November 2010 and is expected to be completed by November 2014.

Innovative Financing

- ♦ **TIFAC- SIDBI Revolving Fund for Technology Innovation** - SIDBI has entered into Memorandum of Understanding (MoU) with Technology Information, Forecasting and Assessment Council (TIFAC), Department of Science & Technology, Govt. of India with the objective of demonstrating and scaling up (commercialization) of technology innovations in products and process projects by first generation entrepreneurs or existing MSMEs. For the purpose, TIFAC has created a TIFAC- SIDBI Revolving Fund for Technology Innovation (Fund) of ₹ 30 crore. A new Scheme called “सृजन” (SRIJAN) has been launched under the Fund. Under the Scheme, assistance is provided upto ₹ 1 crore at softer interest rate of upto 5% p.a.
- ♦ **NSE Trade Receivables Engine for E-discounting in association with SIDBI (NTREES)** - SIDBI, along with National Stock Exchange (NSE), took an initiative for setting up an electronic platform for discounting of MSME receivables which has been named as NTREES in 2009. Operations on the platform are on RTGS basis and all the participants are being provided with system generated passwords for accessing the Platform. Bills limits in respect of 6 customers sanctioned under MSME Receivable Finance Scheme have been shifted to NTREES so far and more customers are expected to avail this facility in FY 2011-12. So far, 341 MSME vendors have registered themselves on the platform and total of 11,699 invoices have been discounted for ₹ 432 crore. Presently, the platform



Signing of Memorandum of Understanding between Technology Information, Forecasting and Assessment Council (TIFAC) and SIDBI to support MSMEs for development, demonstration and commercialization of technology innovation projects

is in its first phase. After stabilization of the processes, obtaining necessary approvals from the regulators and putting in place a suitable legal framework, the NTREES would be taken to the next level with multiple financiers logging in and operating on the platform as e-discounting exchange offering competitive discount rates to MSME vendors.

Other initiatives

- ◆ India Venture Board (IVB) is a collaborative initiative of National Stock Exchange, SIDBI, Indian Private Equity and India Venture Capital Association (IVCA) and leading angel networks in India. IVB is a new electronic platform and a community portal (www.indiaventureboard.com) meant for increasing primary / secondary venture capital and private equity deal flow in unlisted companies in India. The platform includes a bulletin board for making and responding to investment interest calls, an announcement board and customized communication channels. IVB has a special objective to galvanise early stage risk financing eco system and innovation based entrepreneurship in India by reducing information asymmetry, costs, effort and time for smaller deals by bringing about a powerful convergence of all the players operating in this space including investors, investment bankers, incubators, affiliate organizations and entrepreneurs. NSE has informed Securities Exchange Board of India (SEBI) about this platform and its sponsors. SIDBI Venture Capital Ltd. (SVCL), SIDBI Foundation for Risk Capital (SFRC) and SIDBI-TIFAC fund would have active engagement with the portal. The platform will enable these outfits to find investment opportunities, visibility of existing investments and a structured mechanism for secondary liquidity for their investments. The IVB project will help in developing close association with Venture Capital industry and build up of potential issuers for the SME Exchange in the long run.
- ◆ **Memorandum of Understanding (MoU) with IDBI Bank** - SIDBI has entered into an MoU with IDBI Bank Ltd. on October 01, 2010 for joint financing of MSMEs. Under the MoU, joint business development efforts will be made by SIDBI branches in association with IDBI Bank branches.

Structured Finance

- ◆ **Credit Delivery Arrangements with an Industry Association in Gujarat** : A credit delivery arrangement with an Industry Association in Gujarat for meeting the capital expenditure requirements of the member MSME plastic manufacturing units was entered into by the Bank. Under this arrangement, the Association would be recommending its well performing member MSMEs to SIDBI, based on a preliminary scrutiny provided by the Bank for quicker dispensation of credit. An MoU has been signed with the Association on February 10, 2011.
- ◆ **Credit Delivery Arrangements for Van Financing** : A structured arrangement was entered into with an NGO and a leading automobile manufacturing company for financing of vans in Mumbai.

Term loan upto 90% of the van cost and the loan is extended and assistance covered under Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). So far, 28 van operators have been assisted under this arrangement.

- ◆ **Vendor Development Programmes :** A vendor development programme has been developed with a leading fasteners and component manufacturing company aiming at the expansion / modernisation needs of its vendors. Under the arrangement, term loans would be sanctioned to the vendors recommended by the company up to 90% of cost of machinery. The company would recommend the vendors based on the screen provided by SIDBI and would give assurance for off-take from the vendors during the currency of term loan. Further, in case of default by any vendor, the company would directly pay to SIDBI on behalf of the vendor by deducting the same from the amounts payable to the vendor.
- ◆ **Financial assistance to dealer-cum-service stations of a reputed tractor manufacturing company :** SIDBI has entered into an MoU with a reputed tractor manufacturing company for financing working capital requirements of its dealers. Under the arrangement, revolving limits would be granted to dealers for funding their purchases of equipments from the company. Dealers are referred to SIDBI by the company based on a credit screen provided by SIDBI and also based on their past track record. Apart from above, the company would be providing first loss guarantee of 10% of the limit. An agreement was signed between the company and SIDBI on December 03, 2010.
- ◆ **Refinance Scheme for Energy Efficiency :** In view of the growing need for energy saving and importance of energy conservation for sustainable development and improvement in profitability as an outcome of implementing energy saving measures, a new Refinance Scheme for Energy Saving Projects (RSES) for MSMEs was launched under Japan International Co-operation Agency - Line of Credit (JICA-LoC) and also Agence Francaise de Developpement (AFD) LoC. The overall objective of the RSES is to promote energy saving amongst MSMEs in India, thereby contributing to environmental improvement and economic development in the country and control of climate change on the earth.
- ◆ **Refinance Scheme for Micro and Small Enterprises Sector :** During FY 2010-11, a corpus of ₹ 4,000 crore was made available by RBI to the Bank under the MSE (Refinance) Fund 2010-11. Accordingly, SIDBI introduced a Refinance Scheme for Micro and Small Enterprises (RMSE-II) for providing refinance to the banks and SFCs to the MSE sector. Out of the Scheme Corpus, an amount of ₹ 3,650 crore was allocated to banks and ₹ 350 crore was allocated to SFCs and the Fund has been fully utilised.
- ◆ **Scheme for Refinance to Banks under World Bank Line of Credit :** In order to facilitate increased flow of assistance, especially term loans to MSEs adhering to Environmental & Social (E&S)

standards, it was decided to launch a Special Scheme, viz. Scheme for Refinance to Banks under World Bank Line of Credit (SRWB). For the first time, refinance assistance based on E&S Standards was availed by a commercial bank.

Risk Capital Fund

- ◆ One of the major problems faced by MSME entrepreneurs is lack of adequate equity capital required for raising funds from banks and institutions. This is true for both start-ups as well as for existing units which are on a high growth and expansion path. It is equally difficult to attract venture capital investors and private equity players to invest in MSMEs owing to a host of factors like small ticket size, valuation complexities, limited exit options, corporate governance issues, rating, transparency, discipline in maintaining financial statements, disclosures, etc. It is also observed that generally banks fund acquisition of tangibles, while other requirements which are equally critical for the unit, have to be financed through promoter's own contribution or internal accruals of the unit. Thus, a large number of entrepreneurs resort to borrowings from informal sources at very high cost to meet their requirements. Further, a large number of MSMEs are partnership / proprietorship firms which do not have the required capital structure to absorb external equity investments.
- ◆ With a view to ameliorating the problems faced by the MSMEs in accessing capital and facilitating extension of bank finance to MSMEs, SIDBI had set up in FY 2008-09, the SIDBI Foundation for Risk Capital for MSMEs (SFRC) to operate and manage the Risk Capital Fund created in 2009 as per Union Budget announcement with a committed corpus of ₹ 2,000 crore. Risk capital assistance is provided to MSMEs directly as well as through Fund of Funds operation (i.e. through VCFs). SFRC uses various financial instruments, viz. Equity, Convertibles (viz. Optionally Convertible Preference Capital / Debentures / Debt), Subordinated Debt, etc. to dispense risk capital to MSMEs. The risk capital assistance is offered on the backing of future cashflows of the unit rather than asset coverage / collaterals unlike conventional loans.
- ◆ A total of ₹ 296 crore out of the Risk Capital Fund has been committed to 169 MSMEs till the end of FY 2010-11. The cumulative net commitments to VC Funds as at the end of FY 2010-11 went upto ₹ 645 crore in respect of 15 funds.
- ◆ SFRC has recently designed a new programme named "Good Governance for MSMEs (GGM)" with an objective to improve the corporate governance levels in the MSMEs. GGM would improve the governance levels in participating MSMEs by providing a best practices roadmap to the promoters so that they feel confident while approaching lenders / investors and capital markets for their further growth requirements.

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 the various risks of the Bank. The Bank has an Operational Risk Management (ORM) Policy which lays down guidelines and strategies on ORM of the Bank. 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 to identify measure, monitor and manage various market risks. The liquidity and interest rate risk of the Bank are managed by adopting the 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 compliance with Basel II norms, the Bank has also initiated necessary steps for implementing the Integrated Risk Management System (IRMS) including setting up of systems and software for CRM, ORM and Market Risk Management. 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.

Interest Rate Structure

With a view to keep credit affordable to MSMEs, the Prime lending Rate (PLR) of SIDBI remained unchanged at 11% throughout FY 2010-11, a period when the MSMEs were emerging from the slowdown of previous years.

Initiative Relating to SFCs

- ◆ In order to improve the operational and financial performance of SFCs, the Bank had entered into MoU with 12 SFCs. Financial position of the 10 of these MoU SFCs has registered improvement in the post-MoU period with all these 10 SFCs now recording positive networth and CRAR from the end of FY 2009-10. 6 SFCs registered net profit during FY 2009-10. The overall NPA level of these MoU SFCs declined from 56% during FY 2002-03 to 21% during FY 2008-09 and further to 17% during FY 2009-10. MoU SFCs could also contain NPA out of fresh sanctions at less than 5%. With visible improvement in working results and business performance post-MoU, the financial position of these SFCs is expected to improve further in the coming years.

- ◆ The first 5-year MoU period had expired during FY 2009-10. Looking to the need for continued mentoring and handholding support and with a view to further consolidating the gains made and also to address the emerging challenges, it was decided to renew the MoU with all the SFCs for a further period of five years. So far, 8 SFCs along with respective State Governments, have renewed the MoU with SIDBI. 2 SFCs are yet to review the MoU and in respect of other 2 SFCs, the MoU is not due for renewal.
- ◆ SIDBI has taken various initiatives as part of compliance to RBI regulatory requirements. Up-to-date IRAC norms have been issued to SFCs and the compliance thereto is being reviewed. The MoU SFCs have switched over to accrual system of accounting. The Bank has circulated a draft “Valuation Policy” for SFCs for the loans and advances and also other assets for implementation. Drafts of “Loan Policy” and “Risk Management Policy” had earlier been made available to the SFCs for their adoption and use with need based modifications.
- ◆ **Joint Financing with SFCs** - In order to complement the efforts of the Bank in providing adequate and timely assistance to MSMEs on a risk sharing basis and also help SFCs to retain existing good MSME clients and broaden their operating canvass, the Bank has, on a pilot basis, launched joint financing with all MoU SFCs and also decided to extend refinance to them for the term loan sanctioned by them as well.
- ◆ **Capacity Building** - During FY 2010-11, SIDBI organized 5 training programmes for the benefit of SFCs. These programmes were on Project Appraisal & Follow up, Project Monitoring & Recovery Management (with focus on NPAs), Legal Aspects of Project Financing, Credit Rating & Risk Management and a General Programme including Credit appraisal, Credit monitoring & follow up, NPA recovery, business promotion and new business opportunities. SIDBI also continues to provide faculty support at training programmes being organized by SFCs / National Institute of Bank Management, etc. for the benefit of officers of SFCs. A familiarization programme on Credit Appraisal and Rating Tool (CART) was organized for the benefit of officials of Orissa State Financial Corporation and Assam Financial Corporation during FY 2010-11.
- ◆ **Incentive for Upgradation of IT infrastructure to KSFC** - Karnataka State Financial Corporation (KSFC) had developed an in-house, web-based centralized interactive online processing system. KSFC has agreed to share the software developed free of cost to six other SFCs. In order to incentivise KSFC to share / help in implementation of this system in other SFCs, a rebate of 1% p.a. on the rate of interest on the refinance has been agreed to be provided to KSFC.

- ♦ **Enhancement in Limit of Accommodation an ceiling on refinance for SFCs** - In order to encourage MSMEs to corporatise and to ensure faster and need based higher credit to such MSMEs from SFCs, SIDBI has permitted SFCs to provide assistance to individual units upto ₹ 10 crore in case of a corporation or a company or a co-operative society, under Section 26(i) of the SFCs Act. Consequently, refinance ceiling per unit at 100% of the loan amount had been enhanced from ₹ 5 crore to ₹ 10 crore in case of a corporation / company / cooperative society in the MSEs sector. However, refinance to medium enterprises stands reduced to 80% of the term loan amount, subject to a ceiling of ₹ 10 crore. Further, SFCs were permitted to provide assistance to individual units up to ₹ 4 crore in case of a proprietorship / partnership / trusts with refinance in such cases being retained at ₹ 2 crore per unit.

International Co-operation Division

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). ICD has been playing a major role in disseminating information about various promotional & development initiatives for MSMEs in India. During the year, ICD interacted with delegations from Senegal, Botswana, UK, South Africa and few other African countries.



Strategic dialogue with African delegates to explore the possible areas of cooperation for development of MSME sector in African countries.



Overall Operations

OVERALL OPERATIONS

SIDBI achieved good growth in its credit sanctions and disbursements to the MSME sector during FY 2011. The credit sanctions increased to ₹ 42,214 crore and the disbursements to ₹ 38,796 crore, recording a growth of 19% and 22%, respectively, vis-a-vis FY 2009-10 (Table 3.1). Total credit outstanding increased by 21.3% to ₹ 46,054 crore as on March 31, 2011. Direct credit disbursements ₹ 12,849 crore during FY 2010-11 recorded a growth of 40.3 percent. SIDBI has achieved the milestone of cumulative disbursements exceeding the ₹ 2 lakh crore mark at ₹ 2,03,126 crore, as on March 31, 2011.

Table 3.1: Overall Operations

(₹ crore)

Schemes	FY 2009-10		FY 2010-11	
	Sanc.	Disb.	Sanc.	Disb.
A. Indirect Credit				
Refinance	19,926.09	18,584.82	24,337.42	24,115.94
Micro Finance (including P&D Assistance)	2,972.35	2,671.61	858.93	851.43
Resource support to institutions/agencies	2,003.94	1,501.60	810.00	980.00
Sub-total	24,902.38	22,758.03	26,006.35	25,947.37
B. Direct Credit				
Term Loan under Direct Credit	4,153.20	2,849.13	6,836.86	3,799.92
MSME Receivable Finance	6,332.19	6,154.24	8,906.62	8,722.15
Other Credit Facility (Including Bulk Credit and Venture Capital)	133.57	156.57	463.89	326.45
Sub-total	10,618.96	9,159.94	16,207.37	12,848.52
Total Credit (A + B)	35,521.34	31,917.97	42,213.72	38,795.89

1. Indirect Credit

1. A. Refinance Assistance

SIDBI has continued the greater thrust on its refinance business to augment the resource base of Primary Lending Institutions (PLIs) like banks, SFCs, MFIs, etc. (Figure 3.1) so as to enhance the credit flow to MSME sector with a special focus on micro enterprises by leveraging the strong branch network of these PLIs. Considering the enhanced outreach and credit flow to the MSE sector through special refinance funds, provided by the Government of India & RBI including allocation of ₹ 4,000 crore to SIDBI in the Union Budget 2010-11 as a special fund out of Rural Infrastructure Development Fund (RIDF). The

purpose was to incentivise banks and SFCs to lend to MSEs by refinancing 50% of their incremental lending to MSEs. The entire Fund of ₹ 4,000 crore fund was disbursed by SIDBI to Public Sector Banks (₹ 3,740 crore) and to select SFCs (₹ 260 crore). Around 64% of this fund of ₹ 4,000 crore was allocated for micro enterprises by these banks/SFCs. Considering the outcome of these refinance funds in terms of MSME sector growth and enhanced credit flow, the Government of India has now allocated a Fund of ₹ 5,000 crore in Union Budget for FY 2011-12. During FY 2010-11, SIDBI's sanctions and disbursements under refinance support to PLIs stood at ₹ 24,337 crore and ₹ 24,116 crore, respectively. The refinance disbursements grew by 30% compared to the previous year. (Table 3.2).

Figure 3.1 : Ratio of Direct and Indirect credit in credit disbursement of SIDBI during FY 2010-11

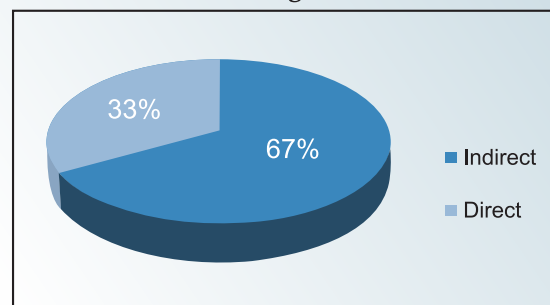


Table 3.2 : Refinance Assistance to Prime Lending Institutions (PLIs) (₹ crore)

Institutions	FY 2009-10		FY 2010-11	
	Sanc.	Disb.	Sanc.	Disb.
Banks	18,465.48	17,325.29	22,933.02	22,933.02
SFCs	1,460.80	1,259.53	1,404.40	1,182.92
Total	19,926.09	18,584.82	24,337.42	24,115.94

1. B. Resource Support to Institutions

In order to channelise credit to a larger number of MSMEs and infrastructure projects having linkages to MSMEs, SIDBI provides resource support to various financial intermediaries like NBFCs, State Electricity Boards (SEBs), factoring companies and other institutions having linkages with this sector. Sanctions and disbursements under resource support to such institutions during FY 2010-11 stood at ₹ 810 crore and ₹ 980 crore, respectively (Table 3.3).

Table 3.3 : Resource Support to Institutions

(₹ crore)

Institutions	FY 2009-10		FY 2010-11	
	Sanc.	Disb.	Sanc.	Disb.
NBFCs	7.50	7.50	560.00	395.00
STL-SEBs/Power Corporations	-	-	250.00	585.00
Others@	1,996.44	1,494.10	-	-
Total	2,003.94	1,501.60	810.00	980.00

@Others include Line of Credit (LoC) in foreign currency to State Bank of India, Punjab National Bank, IDBI Bank Ltd. and LoC to Indian Renewable Energy Development Agency Ltd.

1.C Micro Finance

Micro Finance is an important vehicle to reach out to the unserved and underserved regions of the country by providing small loans for productive purposes. SIDBI has sought to boost development of micro finance sector by providing financial assistance to Micro Finance Institutions (MFIs). The cumulative sanctions and disbursements under micro finance stood at ₹ 7,589.38 crore and ₹ 6,827.82 crore, respectively. The details of the micro finance operations of the Bank are given in Chapter 4.

1.D Promotional & Developmental Assistance

The Bank extends support by way of grants to agencies while providing Promotional & Developmental Services (P&D) support to the MSME sector. The Bank's P&D assistance lays emphasis on entrepreneurship development and enterprise promotion. The sanctions and disbursements under various P&D schemes and activities aggregated about ₹ 0.78 crore and 0.99 crore, respectively during FY 2010-11. Details of the Bank's P&D activities are furnished in Chapter 4.

2. Direct Retail Credit

In order to supplement and complement the efforts of banks/FIs in augmenting the flow of credit to MSME sector, SIDBI introduced various new products and modified the existing products to meet the diverse credit needs of the MSME sector. In order to serve the MSMEs better, with enhanced customer satisfaction, the Bank provides tailor-made products and services. Direct credit assistance is provided by way of, (a) Term Loan, (b) Working Capital through arrangement with IDBI Bank, (c) MSME Receivable Finance and (d) Non - Fund based facility.

2.A. Term Loan / Working Capital Assistance / MSME Receivable Finance

During FY 2010-11, the Direct Credit, which constitutes 33% of total credit outstanding of SIDBI during FY 2010-11, recorded growth of 21%. During FY 2010-11, the term loans and working capital loans disbursements stood at ₹ 3,800 crore, registering a growth of 33% over previous FY.

Receivable Finance Scheme (RFS) has been helping MSME vendors in realising their receivables quickly. During the year under review, the Bank provided receivable financing amounting to ₹ 8,722 crore, which reflected a growth of 42% over the preceding year (Table 3.4).

**Table 3.4 : Term Loan /Working Capital / Receivable Financing under
Direct Credit Schemes** (₹ crore)

Schemes	FY 2009-10		FY 2010-11	
	Sanc.	Disb.	Sanc.	Disb.
Term Loan	3,860.95	2,685.09	6,378.8	3,490.8
Working Capital / Working Capital Term Loan	292.25	164.04	458.06	309.12
MSME Receivable Financing	6,332.19	6,154.24	8,906.82	8,722.15
Total	10,485.39	9,003.37	15,743.68	12,522.07

2 B. Other Credit Facilities

In order to increase the credit flows to MSME Sector through alternate sources of finance, the Bank provides assistance through Venture Capital, assignment of MSE loans, infrastructure financing, etc. The Credit disbursement through this mechanism stood at ₹ 326.45 crore during FY 2010-11, recording a growth of 109% as compared to previous year.

2.C. 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 2010-11 is provided in Table 3.5.

Table 3.5 : Non - Fund based Facility (₹ crore)

Schemes	FY 2009-10		FY 2010-11	
	No.	Amount	No.	Amount
Foreign Letter of Credit	190	101.12	234	148.11
Inland Letter of Credit	73	11.36	93	3.36
Guarantees	163	23.90	138	28.21
Total	426	136.38	465	179.68

SIDBI as Nodal Agency for Government Schemes

In addition to its direct and indirect operations, SIDBI acts as a Nodal Agency to various subsidy schemes of Government of India for the MSME sector as given below :

- 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]
- Scheme of Technology Upgradation / Setting up / Modernisation / Expansion of Food Processing Industries (FPTUFS) [Ministry of Food Processing Industries]

During the year under review, capital subsidy claims of 1,705 eligible MSE amounting to ₹ 103 crore were settled under CLCSS. Since the launch of the Scheme in October 2000, capital subsidy claims of 7,777 units aggregating ₹ 366 crore (cumulative) have been settled. Similarly under TUFS, subsidy claims (both interest incentive subsidy & capital / margin money subsidy) of 276 eligible textile units for SIDBI's directly assisted cases amounting to ₹ 16 crore and subsidy claims aggregating ₹ 47 crore have been settled in respect of co-opted PLIs for their assistance to MSEs. Since the launch of the Scheme in April 1999, capital subsidy and interest incentive claims for an amount of ₹ 597 crore (cumulative) have been settled. Under IDLSS, which was launched in November 2005, cumulative claims of 955 units aggregating ₹ 157 crore were settled including 145 units amounting to ₹ 25 crore during FY 2010-11. Under FPTUFS, 44 cases have been recommended for grant-in-aid amounting to ₹ 9 crore to the nodal Ministry against which subsidy amounting to ₹ 5 crore has been released to 20 units, assisted by SIDBI.

NPA Management

In order to improve the overall quality of assets, the priority of the Bank is to maximize recovery out of existing Non-Performing Assets (NPAs) by proper application of 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 adopted on a case-to-case basis.

Monthly Default Review Committee (DRC) meetings at the operating offices to monitor NPAs and other accounts causing concern have become a very effective monitoring tool. The meetings of DRCs at various operating offices were held regularly to decide about the strategy for quick recovery of dues and resolution of accounts causing concern. Review of all NPA accounts is done by Zonal Offices and Head Office at regular intervals.

As a measure of learning and sharing of knowledge, there is a system for review of fresh slippages into the NPA category to understand and analyse the failure causes thereof. The Failure Cause Analysis (FCAs) conducted during FY 2010-11 showed that the internal reasons for fresh slippages related mainly to borrowers, viz. improper management, inexperience of management team, workers, time and cost overrun and in some cases, misappropriation/diversion of funds, etc. External factors leading to NPA slippage include recession in the industry, lack of adequate working capital, power related problems, unfavourable changes in market forces, changes in policy, etc.

The Bank's Loan Recovery Policy, a handbook on recovery policy, is reviewed annually to incorporate developments taking place at macro level and also to address specific issues concerning the Bank's own NPA portfolio at micro level. Accordingly, the Loan Recovery Policy was reviewed during the year and suitable modifications carried out.

The level of NPAs under Direct Assistance portfolio (after Prudential Write off), which stood at ₹ 77 crore as on March 31, 2010, increased to ₹ 148 crore as at March 31, 2011. The increase in NPAs was mainly attributed to adverse impact of the economic downturn/ slowdown witnessed in the past and the benefit of turnaround of the recession not yet percolating to all the MSMEs. The Bank is taking necessary action including restructuring measures, wherever found necessary, to help the borrowers in tiding over their liquidity problems. At the same time, the Bank has been able to achieve the recovery target and recovered ₹ 41.45 crore from NPAs under Direct Credit portfolio.

The Indirect Assistance portfolio continues to remain the major contributor to NPAs. The level of NPAs (after PWO), which stood at 'Nil' as on March 31, 2010, increased to ₹ 131 crore (including ₹ 5.40 crore under micro finance) as at March 31, 2011. The major increase during FY 2011 (in terms of amount) was on account of slippage of one SFC account having principal outstanding of ₹ 176.19 crore. The Bank has been taking a number of initiatives, viz. One Time Settlement, dialogue with the State Governments concerned, etc. to maximize recovery under indirect assistance.

As a result of the increase in NPAs, the net NPA as a ratio of net outstanding of the Bank, as at end of March 2011, increased to 0.28 percent as compared to 0.18 percent as at the end of March 2010.

Resources Management

Resources aggregating ₹ 19,402.46 crore were raised by SIDBI during FY 2010-11 as against ₹ 25,689.27 crore raised during FY 2009-10 (Table 3.6). The particulars of resources raised during FY 2010-11 are detailed below :

Table 3.6 : Resources raised by SIDBI

(₹ crore)

Sources of Resources	FY 2009-10	FY 2010-11
A. Domestic Borrowings		
MSE (Refinance) Fund	4,000.00	4,000.00
MSME (Risk Capital) Fund	250.00	0.00
Fixed Deposits	1,603.07	2,179.40
Certificate of Deposits	481.51	0.00
Commercial Paper	10,668.03	5,957.67
Short Term Loan from Banks	300.00	0.00
Term Loan	5,600.00	1,400.00
Unsecured Bonds	1,800.00	4,165.00
Sub-total	24,702.61	17,702.07
B. Foreign Currency Borrowings		
JICA VII #	47.44	261.13
KfW V @	0.00	8.92
KfW VI @	0.00	40.78
KfW VII @	249.01	224.02
World Bank (additional LoC)	682.36	992.81
AFD *	0.00	122.14
Asian Development Bank	0.00	49.19
Grant from DFID, UK **	7.85	1.20
Grant under KfW @	0.00	0.20
Sub-total	986.66	1,700.39
Total (A+B)	25,689.27	19,402.46

Japan International Cooperation Agency.

@ Kreditanstalt für Wiederaufbau, Germany.

* Agence Francaise de Developpement, France

** Department for International Development, U.K.

I. Domestic Resources

a) MSE (Refinance) Fund

The deposits placed with the Bank by domestic scheduled commercial banks, including foreign banks, having shortfall in achievement of priority sector lending targets against MSE aggregated ₹ 4,000 crore during FY 2010-11.

b) Fixed Deposits

An aggregate amount of ₹ 2,179.40 crore was mobilised by way of Fixed Deposits during FY 2010-11 as against ₹ 1,603.07 crore during the previous year.

c) Commercial Paper

An aggregate amount of ₹ 5,957.67 crore was mobilised by way of Commercial Papers during FY 2010-11 as against ₹ 10,668.03 crore during the previous year.

d) Unsecured Loans from Banks

An aggregate amount of ₹ 1,400 crore was mobilised by way of unsecured loans from commercial banks during FY 2010-11 as against ₹ 5,600 crore during the previous year.

e) Unsecured Bonds

An aggregate amount of ₹ 4,165 crore was mobilised by way of Unsecured Bonds during FY 2010-11 as against ₹ 1,800 crore during the previous year.

II. Foreign Currency Resources

Resources in foreign currency aggregating ₹ 1,700.39 crore were mobilised during the FY 2011. The details are as under :

a) JICA, Japan

An amount of JPY 5.07 bn (₹ 261.13 crore) was drawn during FY 2010-11 under JICA Line of Credit (VII) for Energy Saving project. During the year, the drawals under this LoC have been completed. The project has been successfully implemented in 23 months much before the targeted time of September 2011.

b) KfW, Germany

During the year, the Bank had drawn Euro 1.47 million (₹ 8.92 crore), Euro 6.74 million (₹ 40.78 crore) and Euro 35.34 million (₹ 224.02 crore) under KfW Lines of Credit for Environmental

Credit, Energy Efficiency and Microfinance, respectively. A grant amount of Euro 0.03 million (₹ 0.20 crore) was also received from KfW.

c) World Bank

USD 119.64 million (₹ 547.57 crore) was received from World Bank for Bank additional financing to the MSME sector. During FY 2010-11, SIDBI contracted a LoC for USD 300 million from the World Bank for scaling up of Sustainable and Responsible Microfinance Project. This LoC includes assistance from International Development Association (IDA - the World Bank's fund for the poorest) to the tune of USD 100 million (equivalent SDR 65.90 million). An amount of USD 7.45 million (₹ 33.33 crore) was received under the World Bank portion of the loan whereas USD 91.68 million (₹ 411.91 crore) was received under IDA portion.

d) AfD, France

The Bank had contracted a LoC for Euro 50 million from AfD, France for energy efficiency in FY 2010-11. Euro 20 million (₹ 122.14 crore) was drawn under the line in FY 2010-11.



Strategic business dialogue with team from AfD, France

e) Asian Development Bank

The Bank received USD 11.02 million (₹ 49.19 crore) under the loan in FY 2010-11 under the LoC for USD 50 million from Asian Development Bank for expanding its lending schemes for 'Missing Middle' in micro and small enterprise (MSE) sector.

f) Grant from DfID, UK

A grant amount of Euro 0.19 million (₹ 1.20 crore) was received from Department for International Development (DfID), UK towards the Poorest States Inclusive Growth Programme.

Rating of SIDBI Bonds

During FY 2010-11, 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 ₹ 4,165 crore by way of bonds, out of which ₹ 1,260 crore was assigned 'CARE AAA' (Triple A) by CARE and the balance ₹ 2,905 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.



Financial Inclusion
and Sustainable Growth

FINANCIAL INCLUSION AND SUSTAINABLE GROWTH

The Microfinance Industry has, over the years, followed a high growth trajectory while providing broader uninterrupted access to finance to the disadvantaged sections of the society. The fast paced growth of the industry has invited widespread recognition, from national as well as international policy makers, donors/ agencies. Over the years, the Indian micro finance sector has assumed a size, scale and volume to be successful as a business proposition rather than being a mere developmental initiative.

The pace of growth both in terms of portfolio and client base has, however, been heterogeneous in different pockets of the country with major growth being witnessed in the southern part with Andhra Pradesh as the epicenter of this growth saga. Of late, issues like lack of central regulations, linking the purpose of such lending with income generation, transparency in conduct of Micro Finance Institutions (MFIs), issues of high interest rate, multiple borrowing, suitable grievance redressal mechanism, etc. had caught the attention of the regulators with concerns being raised about the governance structure of MFIs, accounting practices, adequacy of the risk management within the MFIs, etc. This led to the Government of Andhra Pradesh (GoAP) promulgating an Ordinance on October 15, 2010 to regulate all MFIs operating in AP to address the issues like perceived high interest rate, multiple borrowings, coercive recovery practices, etc. Following the Microfinance Bill (since Andhra Pradesh Microfinance Institutions (Regulation of Money Lending) Act, 2010 w.e.f December 14, 2010), it was reported in AP that the loan recovery fell from 99-98% to below 25%.

Looking towards the uncertain environment in the sector, banks became cautious in their lending approach to MFIs. A Sub-Committee of the RBI's Central Board of Directors, chaired by Shri Y H Malegam, was



Micro Finance Beneficiaries of SIDBI.

constituted by RBI to study the Issues and Concerns in MFI Sector. The Committee made some far-reaching recommendations, which aim towards affordable interest rate regime, transparency, responsible lending practices, better corporate governance and orderly growth of the sector.

The broad framework of the regulations recommended by the Committee has since been accepted by RBI. The

RBI has further issued guidelines that bank loans to all MFIs, including NBFCs working as MFIs on or after April 1, 2011, will be eligible for classification as priority sector loans under respective category of indirect finance only if the prescribed percentage of their total assets are in the nature of “qualifying assets” and they adhere to the “pricing of interest” guidelines to be issued in this regard. The recommendations of the Committee vis-à-vis the regulatory guidelines stipulated by RBI are given at Box 4.1.

Box 4.1 : Recommendation of Malegam Committee and RBI Guidelines

Malegam Committee Recommendations	RBI Guidelines issued vide its circular dated May 03, 2011
Priority Status	
The bank lending to NBFCs which qualify as NBFC-MFIs will be entitled to “priority lending” status.	Bank loans to all MFIs, including NBFCs working as MFIs on or after April 1, 2011, will be eligible for classification as priority sector loans under respective category of indirect finance only if the prescribed percentage of their total assets are in the nature of “qualifying assets” and they adhere to the “pricing of interest” guidelines to be issued. Bank loans to MFIs which do not comply with the stated conditions and bank loans to other NBFCs would not be reckoned as priority sector loans with effect from April 1, 2011.
Qualifying Assets	
The NBFC-MFI will hold not less than 90% of its total assets (other than cash and bank balances and money market instruments) in the form of qualifying assets.	The NBFC-MFI will hold not less than 85% of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) in the nature of “qualifying assets”.
The loan is given to a borrower who is a member of a household whose annual income does not exceed ₹ 50,000	Loans disbursed by an MFI to a borrower with a rural household annual income not exceeding ₹60,000 or urban and semi-urban household income not exceeding ₹ 1,20,000
The amount of the loan does not exceed ₹ 25,000 and the total outstanding indebtedness of the borrower including this loan also does not exceed ₹ 25,000.	Loan does not exceed ₹ 35,000 in the first cycle and ₹ 50,000 in the subsequent cycles. Total indebtedness of the borrower not to exceed ₹ 50,000.

Tenure of the loan is not less than 12 months where the loan amount does not exceed ₹ 15,000 and 24 months in other cases with a right to the borrower of prepayment without penalty in all cases, the loan is without collateral	Tenure of loan not to be less than 24 months for loan amount in excess of ₹ 15,000 without prepayment penalty; loan to be extended without collateral. There should not be any penalty for delayed payment.
The aggregate amount of loans given for income generation purposes is not less than 75% of the total loans given by the MFIs	Recommendation retained.
The loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.	Recommendation retained.
Pricing of Interest	
An average “margin cap” of 10% for MFIs having a loan portfolio of ₹ 100 crore and of 12% for smaller MFIs and a cap of 24% for interest on individual loans has been recommended. In the interest of transparency, it has been proposed that an NBFC-MFI can levy only three charges, namely, (a) processing fee (b) interest and (c) insurance charge.	<p>Margin cap at 12% for all MFIs. Interest cap on individual loans at 26% per annum for all MFIs to be calculated on a reducing balance basis. Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1% of the gross loan amount, (b) the interest charge and (c) the insurance premium.</p> <p>The processing fee is not to be included in the margin cap or the interest cap of 26%.</p> <p>Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges to be recovered as per IRDA guidelines.</p> <p>No Security Deposit/ Margin are to be taken.</p>
Individual Lending Outside SHG/JLG	
A borrower can be a member of only one Self-Help Group (SHG) or a Joint Liability Group (JLG).	Loans by MFIs can also be extended to individuals outside the self-help group (SHG)/joint liability group (JLG) mechanism

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 for increasing the outreach and volume under Micro Credit operations. In line with the above, the policy norms under micro credit dispensation were updated/ modified during FY 2010-11.

- ◆ Keeping in view the current developments in the sector, SIDBI brought about changes in its operational norms by shifting to consortium based lending approach which includes holding periodic meetings / discussions with the major lenders of the MFI to evolve general agreement on the MFI's business projections for the next 2-3 years, area of operations, cash flow, future fund requirements, interest rates charged to the end-beneficiaries, adherence to tenets of Responsible Lending Practices, etc. Further, prior to sanction of assistance, a general agreement among lenders on broad terms of sanction / common loan covenants is being obtained so as to facilitate the process of sanctioning, documentation, disbursement, follow-up and monitoring.
- ◆ With a view to enhance the levels of follow-up and monitoring and to cover a sizeable and representative sample of the beneficiaries, periodical field visit(s) in co-ordination with other / major lenders to the MFI is being taken up.
- ◆ SIDBI has been following up with the MFIs for bringing down the all inclusive rates being charged to the ultimate beneficiaries and around 50 MFIs assisted by SIDBI have actually reduced their lending rates. As per the recent guidelines of RBI issued on May 03, 2011, the interest cap on individual loans has been fixed at 26% per annum for all MFIs on reducing balance basis. Accordingly, the MFIs would need to realign their policies with the directives of RBI for obtaining further assistance from banks.
- ◆ In view of the changing requirements under Microfinance dispensation and to maintain uniformity in respect of Microfinance proposals being submitted to various sanctioning authorities / committees for consideration, the existing formats of the Appraisal Memorandum were structured and standardized to capture all the required information. Modifications were done in the policy guidelines with respect to the Micro Credit Scheme (MCS) / Micro Enterprises Loan (MEL) scheme to institutions/ MFIs. The existing guidelines pertaining to the security stipulation, format of application form for assistance to MFIs/ Formal Financial Institutions (FFIs) under MCS and submission of monthly cash flow statements by MFIs having outstanding loan of ₹ 5 crore and above were modified. Further, some need-based modifications in existing guidelines with respect to formats of list of borrowers for utilization of funds and Capital Adequacy Ratio (CAR) certificate were also made.

- ♦ Keeping in view the practical difficulties experienced by the operating offices under the existing security stipulation with regard to assignment of branches towards creation of security in favour of SIDBI, the assignment of allocation of branches/ its portfolio by way of primary security was done away with.
- ♦ In view of the changing business environment of the micro finance sector, with a view to focus on customer needs and to reduce the response time, the Delegation of Powers relating to SIDBI Foundation for Micro Credit (SFMC) was revised.

Operations of SFMC

The cumulative assistance (including loans, grants, equity and quasi-equity) sanctioned under SIDBI's micro finance initiatives upto March 31, 2011 aggregated ₹ 7,691.05 crore, while cumulative disbursements aggregated ₹ 6,918.51 crore. The outstanding micro credit portfolio of the Bank stood at ₹ 3,049.78 crore, as on March 31, 2011 (Table 4.1). The number of MFIs assisted and having loan outstanding with the Bank as on March 31, 2011 stood at 139. Besides loans and equity, the Bank also provided cumulative grant assistance of ₹ 90.67 crore for capacity building of MFIs and the sector (Table 4.2). The assistance, through SIDBI, has benefited around 3.10 lakh disadvantaged people, most of them being women.

Table 4.1 : Assistance under Micro Credit Loans and Equity/ Quasi Equity Assistance

(₹ crore)

Sr.	Particulars	2009-10		2010-11		Cumulative		Outstanding as on March 31, 2011
		Sanc.	Disb.	Sanc.	Disb.	Sanc.	Disb.	
1.	Term Loans	2,514.49	2,508.97	810.57	768.78	7,024.35	6,538.14	2,770.85
2.	MEL-Direct Lending	4.15	3.90	6.19	6.08	10.43	10.08	8.01
3.	Transformation Loan (TL) / Corpus Support for Transformation	0	0	0	0	23.05	19.05*	11.18
4.	Subordinate Debt	395	100	40	75	435.00	175.00	175
5.	Equity Support	56.66	56.79	0	0	96.55	85.55	85.55
Total		2,970.30	2,669.66	856.76	849.86	7,589.38	6,827.82	3,049.78
*Transformation Loan of ₹ 3 crore has since been converted into Equity of the MFIs concerned.								

Table 4.2 : Capacity Building Assistance

(₹ crore)

Sr.	Particulars	2009-10		2010-11		Cumulative	
		Sanc.	Disb.	Sanc.	Disb.	Sanc.	Disb.
1.	Capacity building grant to MFIs	0	0	0.14	0.05	67.18	58.83
2.	Other Capacity building grants	0	0	1.25	0.53	24.21	21.58
3.	Transformation Loan (TL) / Corpus Support for Transformation	0	0	0	0	10.28	10.28
Total		0	0	1.39	0.58	101.67	90.69

Initiatives in the underserved States including North-Eastern Region

While the micro finance culture has been well-entrenched in the four Southern States of Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, the other States have lagged behind in the development of micro finance interventions. Taking cognizance of the regional growth asymmetry and with a view to upscaling and widening the outreach of its micro finance operations, the Bank has been taking several proactive steps to increase the flow of assistance to hitherto underserved areas, viz. North Eastern Region (NER), and States like Rajasthan, Uttar Pradesh, Madhya Pradesh, Uttarakhand, Bihar, West Bengal, Jharkhand, Orissa, Chattisgarh, etc. These steps include inducing larger MFIs from the Southern states to expand outreach in underserved areas, incubation/development of new start-up MFIs promoted by microfinance professionals, intensifying its effort in identifying suitable MFIs who have the potential of becoming long term partners and providing stand-alone Capacity Building (CB) support. Some of the major initiatives are :

- ♦ During the year under review, the Bank added 8 new MFIs in its fold of assisted MFIs in the underserved States, taking the total number of MFIs in these States to 81. The aggregate assistance sanctioned by way of term loans to MFIs in the underserved States, during the year, stood at ₹ 429 crore. The increased thrust on development of underserved States resulted in the share of these States being 33% in the total outstanding portfolio under micro finance in FY 2010-11.
- ♦ The Bank has assisted 10 MFIs in NER, besides 70 loan cases under 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 MFI's requirements under MCS for providing loan assistance to MFIs in the underserved states. In view of limited funds available under PRF, 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). 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 ₹ 218.39 crore, with utilization of ₹ 16.38 crore being 7.5% of eligible disbursement. The assistance covered under PRF, during the year, has benefited 2.10 lakh clients spread across 3 States. Cumulatively, as on March 31, 2011, the disbursement to eligible MFIs under PRF stood at ₹ 1,518.08 crore, thereby utilizing ₹ 113.86 crore, being 7.5% of eligible loan disbursements.

Human Resources Development for micro finance sector

- ◆ Two officers from the Bank were nominated for participating in the workshop on Gender Equity and Micro Enterprise Development in New Delhi conducted by International Institute of Development Management Technology (IDMAT).
- ◆ Two officers from the Bank were nominated for a programme on "Microfinance-Cracking the Capital Markets South Asia 2010" by ACCION International. It focused on equity and debt financing, their structuring and prospects of the sector.
- ◆ 6 officers from the Bank and 8 staff from 4 assisted MFIs were nominated for participating at the annual training event of MicroSave Pvt, Ltd. branded as "Applied Microfinance Institute" (AMI) at Lucknow. The training focused on process mapping and internal audit and controls.
- ◆ A programme was conducted by Harvard University on Financial Institutions for Private Enterprise Development for which two officers were nominated from the Bank.
- ◆ In view of the growing number of offers of investment from various agencies on equity investments in MFIs, officials of the Bank were nominated for a programme on "MFI Valuation and Investments" conducted by Prime M2i Consulting Pvt. Ltd. in New Delhi.
- ◆ With a view to giving exposure to the global best practices to the Bank's officers, two officers were nominated to attend the Boulders Training programme in Italy. One officer was nominated for an exposure visit to Germany on Cooperative Functioning organized by BIRD, Lucknow.
- ◆ To familiarise SIDBI officials on the Smart Principles of Client Protection, two officials were nominated for the Smart Assessors Training conducted by ACCION International at Bangalore.

- ◆ Two officers from the Bank were nominated to a Study Tour Programme on Micro, Small and Medium-Scale Enterprise Financing in Manila, Philippines, conducted by Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).
- ◆ With a view to improving the knowledge base of the newly inducted officials, a “Familiarization Programme on Micro Credit” was conducted at Lucknow. The three-day programme was attended by 25 officials of the Bank.
- ◆ With the assistance of SIDBI, a series of training programmes for the executives of assisted MFIs was conducted by Sa-dhan, an association of community development finance institutions. The programmes were related to the policy advocacy, standards setting, good governance, accounting principles and capacity building in the sector etc.
- ◆ The Asia Microfinance Forum 2010 was organized by the Banking With the Poor Network during October 12-15, 2010 in Sri Lanka. One official from the Bank was nominated for the programme which aimed at achieving greater financial inclusion in Asia.
- ◆ The Microfinance Investment Summit conducted at Hong Kong, China was attended by SIDBI officials and included detailed discussion on the key microfinance challenges in the region and strategies to overcome them.
- ◆ One officer was nominated to participate in the 2010 SEEP Annual Conference titled “Reflecting on 25 years of Milestones in Microenterprise Development” at Arlington, USA from November 01-05, 2010.
- ◆ SIDBI officials attended the International Microfinance Asia Conference 2011 organized on the theme “Responsible investment and regulatory reform by tackling over-indebtedness and embracing innovative financial products to guarantee a sustainable industry” in Singapore during January 24-27, 2011.
- ◆ SIDBI supported four regional level training programmes for MFIs organized by Sa-dhan, the networking organisation of MFIs, at Ahmedabad, Pune, Kolkata and Lucknow on good governance, risk management and transformation and educating MFIs on ICAI guidelines on accounting.

International Collaborations

The Bank has signed agreement with Kreditanstalt für Wiederaufbau (KfW), Germany for loan support of Euro 85 million and financial contribution of Euro 1.69 million for improving access to microfinance products in India among the poor, particularly the 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 SIDBI staff and 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 our assisted MFIs, as a prudent risk management measure. KfW had released an amount of Euro 76.54 million till March 31, 2011 under the loan component and Euro 32,718 under the TA component.



Signing of ADB Grant Agreement in New Delhi
(In the photograph (signing of the agreement) from the left:
Ms. Anuradha Thakur, Mr. Leonardus Boenawan Sondjaja,
Mr. K. G. Alai and Mr. Daiki Suemitsu)

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” (the loan segment of ₹ 50,000 to ₹ 10 lakh) through specific financing programmes which complement



SIDBI was awarded the Runners' up award in the category “Commitment to Social Performance and Financial Transparency” at the International Microfinance Asia Conference 2011 in Singapore during January 24-27, 2011. The jury included representatives from International Finance Corporation (IFC), Grameen Foundation and ACCION.

the various financing schemes in the Indian Micro finance sector. The loan is accompanied by technical assistance of upto USD 3 million. ADB had released an amount of USD 11.02 million till March 31, 2011 under the loan component.

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 other things, introduction of innovative financial products and fostering transparency and responsible finance. WB had released a total amount of USD 98.63 million till March 31, 2011 (amount of USD 6.95 million under the IBRD component and USD 91.68 million under the IDA component).

Policy Advocacy

In line with its existing practice, the Bank continued to support initiatives for a well-defined regulatory structure, transparent and customer-friendly practices among the MFIs through seminars, conferences, workshops and other interactive events, some of which are given below :

- ◆ A national level Micro Finance Conference titled “Mission of Microfinance – Need to Reflect and Reaffirm” organized by ACCESS Development Services during November 2010 in New Delhi was supported and attended by major domestic and international players in the sector.
- ◆ A one-day international discussion was held by Consultative Group to Assist the Poorest (CGAP) in Paris on the research findings of six case studies around the world on March 03, 2011. The meeting shared the preliminary results of the research with interested and influential funding agencies and apex institutions. SIDBI had been invited as an Apex Financial Institution from India.
- ◆ The Annual Policy Conference titled “Microfinance Footprints : Lessons for Future” was co-sponsored which was organized by Sa-dhan during March, 2011 at New Delhi.
- ◆ A programme on expanding the scope of the survey conducted by Microcredit Summit Campaign to measure the number of microfinance clients (including SHG members) who have moved from below USD 1.25 consumption expenditure per capita per day to above it, during 1990 to 2010, was sponsored by the Bank.
- ◆ In line with SIDBI’s overall intervention strategy to constantly re-design and develop innovative products and services for the disadvantaged section of the society, the Bank has partnered with the FINISH (Financial Inclusion Improves Sanitation and Health) to take its activities forward with MFIs who have social missions. SIDBI supported FINISH to organize a day-long workshop during November, 2010, in New Delhi.

SIDBI’s Initiatives on Responsible Financing

Responsible Lending has been one of the top priorities of the Bank and SIDBI’s endeavour on spearheading the issue of responsible finance amongst the assisted MFIs was initiated much before the sectoral setback seen in Andhra Pradesh. The Responsible Finance Initiative – cross-linked to the financing – helps improve management, corporate governance, operational practices and disclosure. SIDBI has been playing an active role in impressing upon its assisted MFIs to adopt and practice fair means of managing the Micro Finance operations, besides sensitizing them on other issues.

As part of its responsible finance initiative, SIDBI has created a Lenders’ Forum comprising key MFI lenders 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 the responsible lending practices through a common set of loan covenants (See Box 4.2). Banks have also agreed to strictly examine and continuously monitor field level practices of their assisted MFIs like adherence to KYC norms, all inclusive rate of interest, and not engaging of agents by MFIs, 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.

Box 4.2 : List of covenants agreed upon by the Lenders' Forum

The borrower shall agree :

- (a) to furnish financial and operational data in the specified format to the India Microfinance Platform (IMFP) within reasonable timelines and with accuracy.
- (b) to undergo a third party Code of Conduct Assessment with a view to assessing the degree of adherence to the voluntary microfinance Code of Conduct through accredited agencies for the purpose.
- (c) to undergo a Systems and Portfolio Audit involving detailed examination of operational systems and procedures, funds utilization, assessment of loan portfolio in respect of the risk parameters, finance as well as planning and control etc. by an external agency.
- (d) to ensure transparency and uniformity in calculating and reporting (to clients and in the public domain) the effective cost (on reducing balance basis) being charged to the ultimate beneficiaries.
- (e) to prepare a Board approved note on recovery practices that would be displayed in local language at each branch and to give an undertaking to take steps to ensure responsible and non-coercive loan recovery practices at the field level.
- (f) to develop a Board approved strategy to check multiple lending/over-indebtedness amongst clients by December 31, 2010 and implement it thereafter and also obtain annual affirmation of the strategy by its Board.
- (g) to put in place an effective grievance redressal mechanism by December 31, 2010 - to be placed in the website of MFI and also displayed in the branch offices.
- (h) to take steps to ensure that some acceptable form of electronic, written or printed acknowledgement of financial transactions is left with the individual borrower or the group/its representative.
- (i) to furnish regularly, accurate and comprehensive data to Credit Bureaus like CIBIL and High Mark Credit with regard to beneficiaries.

SIDBI has been actively involved in development of a Code of Conduct Assessment Tool, which applies to providing credit services, recovery of credit, collection of thrift, etc., for MFIs to assess their degree of adherence to the voluntary microfinance Code of Conduct formulated by the MFIs.

Four assessments have since been undertaken by an independent agency and the reports are placed in public domain.

SIDBI is in the process of developing in line with the MIX Market, which is a global, web-based, microfinance information platform, a MIX market tailored for India, i.e. the India Microfinance Platform (IMFP) - to provide and disseminate valuable information on the Indian MFIs. The MFIs would be required to submit financial and operational data, including HR / remuneration expenses, at certain intervals in a standardized format agreed upon by the Lenders' Forum, thus enabling higher degree of transparency / disclosures with ease.

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 (See Box 4.3). 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.

One of the premier business schools of India, Indian Institute of Management Lucknow (IIM-L) is being supported for an initiative towards strengthening of microfinance education in India. The main objective of the project is to create a cadre of microfinance professionals by training teachers, who will, in turn, train fresh graduates in modern techniques of microfinance management. The program indirectly benefits fresh agribusiness graduates interested in pursuing a career in microfinance by raising the quality of education being provided in the select higher educational institutes.

SIDBI has commissioned a detailed study titled “A study on the cost of funds, cost of delivery, margin and Annualised Percentage Rate (APR) to eventual beneficiaries of assisted MFIs” on the interest rates being charged by 25-30 assisted MFIs spread across various geographical areas with different legal status and lending models. The study will particularly focus 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.

Downscaling Project

The project on Financing Micro Enterprises using Downscaling Techniques for extending loans of ₹ 50,000 - ₹ 5,00,000 to micro enterprises envisages assessment of cash flows of micro enterprises. The project is aimed towards serving the micro enterprises profitably through a Strategic Business Unit.

Box 4.3 : Client Protection Principles

1. Avoidance of Over-indebtedness
2. Transparent and Responsible Pricing
3. Appropriate Collection Practices
4. Ethical Staff Behaviour
5. Mechanisms for Redressal of Grievances
6. Privacy of Client Data

The project would focus on simplification of existing processes and procedures while emphasizing more on techniques to collate information on cash flows and financials of the micro enterprises to be assisted. An end to end solution based software is envisaged for MELs with integration with existing IT systems of SIDBI. The project also includes outsourcing of back office staff including possibility of bank correspondent linkages in the long run with potential institutions and is expected to be demonstrative in nature for other institutions to take up lending to micro enterprises on a much larger scale.

Future outlook

SIDBI has, over the years, made multifarious efforts to develop the MFI sector. Beginning with the exploratory phase when SIDBI had started its intervention by way of extending small loans and grants to different agencies involved in various developmental activities including micro credit, the Bank has moved towards the growth phase when it provided need-based financial assistance by way of loans to MFIs on an annual basis and also adequate and customized package of capacity building grant tailored to the needs of the MFIs with a view to building their operational, financial and institutional capacities. Growth phase saw SIDBI entering into collaborations with several international donors/ agencies. These have, no doubt, yielded good results. Yet, more needs to be done to enable the sector to increase its outreach and scale responsibly.

Promoting responsible financing would be the basis of all future funding to the sector. SIDBI would play a leading role in assisting organizations which support their mission of developing a socially responsible and financially accountable sector. Social investment, market driven flexible approach towards credit delivery with focus on financial sustainability and building of favourable policy and regulatory framework to facilitate orderly growth would be the major areas of intervention of the bank.

The “India Microfinance Equity Fund” of ₹ 100 crore being set up with SIDBI subsequent to the announcement in the Union Budget, 2011-12, would help the Bank to lay special emphasis on providing equity and loan to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations, thus promoting a cadre of viable and sustainable MFIs with social objectives.

The next growth impetus requires redesigning of strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. SIDBI would continue to provide support for development of innovative alternatives in respect of products, technology, strategic alliances, services and business models. Other major areas of intervention would include micro insurance, micro-pensions, micro-housing loans, water-credit, sanitation credit, energy efficient products, etc.

There is no doubt that the sector has the potential to deliver the financial inclusion agenda of the country. The issues and challenges notwithstanding, international organizations, lenders and donors are also

convinced about the resilience of the micro finance sector as a whole in the country. SIDBI has always played a pioneering role in laying down the standards for the sector. Through its responsible finance agenda, SIDBI expects to ensure requisite mid-course corrections to actualize the potential of the sector and steer it to greater heights.

Promotional & Development Initiatives

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. In this context, the promotional & developmental (P&D) support to the MSME sector has always been an integral part of the Bank's activities. In order to impart competitive advantage to MSMEs, SIDBI is engaged in comprehensive Promotional & Developmental (P&D) activities to achieve the twin objectives of Enterprise Promotion and Enterprise Development programmes as detailed below:-



Avon Engg. Works, Jais, Raebareli - Credit Linkage of ₹ 10 lakh from Bank of Baroda under Rural Industries Programme of SIDBI.

- A. Enterprise Promotion** - enterprise promotion resulting in creation of self employment/ wage employment through select programmes:
 - i. Rural Industries Programme** - Rural Industries Programme (RIP) 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. The package of Business Development Services offered under the programme includes selecting and motivating rural entrepreneurs, identification of viable ventures based on local skills and resources, training, appropriate technology and establishing linkages with the formal banking sector. Thus, RIP addresses problems of rural unemployment, urban migration, under-utilisation of know-how, latent rural resources and marketing of rural products. The Bank extends necessary grant support to the Implementing Agencies in the form of start-up expenses and Performance Incentive, which is based on the number of units grounded and quantum of credit linkage of these units by the PLIs. The incentive for RIP implementing agencies is dependent on their linking of financing of the units from Banks/ SFCs. Cumulatively, upto March 31, 2011, the Rural Industries Programme has been implemented in more than 120 districts in 24 States. More than 37,000 enterprises have been promoted, including over 2,400 units during the year. These enterprises have generated employment opportunities for over 1 lakh persons.

Modified Rural Industries Programme:

Taking the agenda of Rural enterprise forward, the Bank has started the modified version of Rural Industrialisation Programme (RIP) in 2 pilot locations (Sawai Madhopur, Rajasthan and Nayagarh, Orissa) with a focus on instilling supply side sustainability.



Singhal Polypack, Bahadurpur, Raebareli - Credit Linkage of ₹ 25 lakh from Bank of Baroda under Rural Industries Programme of SIDBI.

ii. Entrepreneurship Development Programmes

Entrepreneurship Development Programme (EDP) is recognised as an effective enterprise

development instrument worldwide and has assumed much significance in India considering the large unemployment and unbalanced regional development. EDPs have been supported by SIDBI over the years which 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.

SIDBI has supported conduct of EDPs and other capacity building programmes for the MSE entrepreneurs through various Institutions, viz. The Entrepreneurship Development Institute of India (EDII), state level entrepreneurship development institutes, Rural Development and Self Employment Training Institute (RUDSETI) and various Technology Consultancy Organisations (TCOs), etc.

During the year, 99 EDPs were supported by the Bank, including 57 EDPs by RUDSETI, in which over 2625 beneficiaries were trained. As on March 31, 2011, the total number of EDPs supported by the Bank since inception for various target groups was 2,831 covering more than 70,825 participants. 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 35,000 participants have either set up their own unit or have been gainfully employed in the sector.

- B. Enterprise Strengthening** – To enable the MSMEs face the emerging challenges of globalisation and competition through select interventions.

Investment in Human Capital

SIDBI's activities have been designed to remedy the shortcomings of availability of adequately trained Human Resources for the MSME sector. With a view to strengthen and augment the need

of the existing MSMEs, the Bank supports accredited management/technology institutions to offer management development programmes, viz; “Skill-cum-Technology Upgradation Programme” [STUP] and “Small Industries Management Assistants Programme” [SIMAP]. STUP aims at enhancing technology profile of MSME units while SIMAP focuses at qualified unemployed as well as industry-sponsored candidates with the overall objective of improving the managerial capabilities and producing trained motivators to the sector as well.

Besides extending assistance in the form of corpus fund, the Bank also encourages emerging institutions which can take up such specialised programmes and has been extending support for standalone STUPs, SIMAPs and other awareness programmes. During the year, 13 STUPs and 4 SIMAPs were supported covering about 600 beneficiaries. As on March 31, 2011, the total number of STUPs and SIMAPs supported by the Bank since inception were 1488 and 292, respectively benefiting about 39,140 participants.

The programmes have benefited a large number of young bright potential entrepreneurs and most of the participants have joined the MSME sector. The placement of the participants of SIMAP has been about 90%.

Cluster Development

The paradigm shift in the Bank’s Cluster Development Programme (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. MSMEs financing can achieve economies of scale through the cluster financing approach. Cluster centric approach also facilitates development of infrastructure. SIDBI continues to meet the evolving needs of this vibrant sector.

So far, SIDBI has supported more than 75 CDPs all over India, including 39 in the NER. This initiative includes marketing support, IT training, skill development, regulatory compliance awareness programmes, testing facilities, business information and counselling centres for micro enterprises, promoting of energy efficiency measures, Business Development Services (BDS) clinic and capacity building programmes in the areas of strategic importance to the local units including activities / programmes to enhance the availability and demand for the MSME credit.

During the year, the Bank has intervened by way of providing skill and entrepreneurial training to the local artisans in 5 clusters in NER in the field of Eri Silk weaving, handicraft, pottery, Banana extraction and tourism. The conducting agencies have been given a target for setting up of new enterprises, modernization/ expansion of existing enterprises and/or gainful employment by/to atleast 25% of the participants. The objective of these programmes is to strengthen and improve the technical, designing and marketing skills of the participants/ artisans.

Marketing Activities

- ◆ Having realised the need to address the marketing problems of MSME sector and displaying their product, SIDBI is also engaged in creating and strengthening marketing initiatives for the sector.
- ◆ Under the marketing activities, the Bank supported many important exhibitions/seminars/events during the year, which include INTEC-2010, organised by The Coimbatore District Small Industries Association (CODISSIA) at Coimbatore, International symposium on “Comprehensive Entrepreneurship” by The Association of lady Entrepreneurs of Andhra Pradesh (ALEAP) at Vishakhapatnam, Exhibition on Handloom and Handicraft at Ravangla and Itanagar.
- ◆ National Industry exhibition at Bilaspur organised by Chhattisgarh Laghu Avam Sahayak Udyog Sangh was also supported by the Bank. Many leading as well as emerging MSMEs of the State as well as of national repute participated in the fair.
- ◆ MAWE Annapurna National Trade Fair 2011 was conducted by Mahakaushal Association of Women Entrepreneurs at Jabalpur during 2010-11.
- ◆ Many other programmes organised by various reputed organizations in different States for the benefit of about 2000 entrepreneurs/MSEs were assisted by SIDBI with a view to encourage and support the marketing efforts of the MSMEs and the micro entrepreneurs in particular.
- ◆ Assistance was also given to Seminars/Workshops during the year, such as, North India International Trade Fair by IIT, New Delhi, workshops conducted by PHDCCI, ASSOCHAM and Delhi Productivity Council, Kolkata Haat, Sunderbans Kritti Mela, Vendor Development Programme by CII, Kolkata.

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 RIP in the Government notified minority-focused districts, viz. Kishanganj in Bihar and Simdega in Jharkhand are continuing, wherein about 25 units providing employment to about 60 persons have been set up. Further, the Bank has extended assistance for conduct of exclusive training programmes on dress making, embroidery, electrical, artificial jewellery, etc. during FY 2010-11.



Workshop on promotion of Women ST/SC enterprises at Rourkela, Odisha.

More than 600 participants from the minority communities have directly benefited from various P&D programmes during FY 2011.

Other initiatives

Developmental Loan

SIDBI funded the KASSIA Udyog Bhavan project by way of a developmental loan of ₹ 200 lakh to Karnataka State Small scale Industries Association (KASSIA), a leading State level association of MSMEs in Karnataka having around 4000 members in FY 2009 to accommodate enterprise developmental activities. The construction of state-of-the-art building of Udyog Bhawan has since been completed use by the MSMEs of Karnataka.

Management and Skill Development Institute

An exclusive training centre, viz. Management & Skill Development Institute (MSDI) has been jointly set up by SIDBI and Union Bank of India, at Jangipur in the Murshidabad district of West Bengal, in FY 2009-10. So far, the Centre has conducted 12 Skill training programmes [viz. garment making, soft toys making, beauty parlour, artificial jewellery, food processing etc.] benefiting about 266 women participants including 105 from SC, 26 from OBC and 49 from minority communities. An amount of ₹ 24.60 Lakh was disbursed by SIDBI to the Institute towards start-up, programme support, and establishment expenses during FY 2010-11.

Innovative Technologies

Technological innovations are normally seen in high-end of small scale and medium scale enterprises in technology based or innovative products. However, it has been seen that in some of the smaller business segments, financial support for technological innovation may also be required.

With a view to identify and commercialise grassroots innovations all over the country, SIDBI had supported the National Innovation Foundation, Ahmedabad by way of Corpus support of ₹ 400 lakh and administrative grant of ₹ 100 lakh to set up Micro Venture Innovation Fund (MVIF) in 2003 for a period of 10 years. So far, the fund has supported 175 innovations including 14 during FY 2011. MVIF has been successful in materialising 50 cases of technology licensing and since then built up a database of more than 1,45,000 ideas, innovations and traditional knowledge practices from over 545 districts of the country.

The Fund has also filed 264 patents (including 7 filed in USA and a PCT application) on behalf of the innovators and outstanding traditional knowledge holders of which 35 patents have been granted in India and 5 in USA.

Further, with a view to foster successful entrepreneurs and develop industry in the knowledge and technology based areas in the small enterprises, the Bank has formulated an incubation policy to provide guidance and management structure to facilitate development of entrepreneurship. SIDBI had launched its National Programme of Innovation and Incubation for Small Industries in March 2000 under which SIDBI Innovation and Incubation Centre (SIIC) was set up at Indian Institute of Technology, Kanpur in January 2002 in order to encourage technological advancement in the MSME sector. SIIC has so far incubated 26 start-ups in diverse areas of state of the art technologies out of which 13 have already graduated. SIDBI's Corpus Fund of ₹ 200 lakh has been renewed for a further period 3 years, i.e. upto March 2012. The Centre has so far provided the Seed capital support of ₹ 161 lakh to 10 companies for their projects.

Outlook

- ◆ Conceptualisation and emphasis on strategic and policy initiatives during the ensuing year would be aimed at strengthening, deepening and significantly upscaling the reach of Promotional & Developmental services to the unemployed youth and budding MSME entrepreneurs. This will help in a consistent growth in respect to all major indices namely, production, employment and establishing the units and so the income generation.
- ◆ 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.
- ◆ To embark upon the series of initiatives taken by the Bank and with thrust on cluster-based developmental activities, the avenues of development would continue further. It is expected that the cumulative effect of the Bank's persistent efforts in this regard would create a perceptible impact in addressing the multifarious problems and emerging needs of the sector, besides creating employment opportunities in this productive sector of the economy.

Technical Consultancy Organizations

- ◆ All India Financial Institutions along with other institutions like Public Sector Banks and State Government corporations established a network of Technical Consultancy Organizations (TCOs) in

various states during 1970s and 1980s to provide start-up services including industrial and technical consultancy services to the new as well as existing units / prospective entrepreneurs in the MSME sector. Of the 17 TCOs thus set up, SIDBI is the major shareholder in 9 TCOs, viz. (i) APITCO Ltd. (APITCO), Hyderabad (ii) Bihar Industrial and Technical Consultancy Organisation Ltd. (BITCO), Patna (iii) J&K Industrial and Technical Consultancy Organisation Ltd. (J&KITCO), Jammu (iv) KITCO Ltd. (KITCO), Kochi (v) North Eastern Industrial Consultants Ltd. (NECON), Agartala (vi) North Eastern Industrial and Technical Consultancy Organisation Ltd. (NEITCO), Guwahati (vii) Orissa Industrial and Technical Consultancy Organisation Ltd. (ORITCO), Bhubaneswar (viii) U.P. Industrial Consultants Ltd. (UPICO), Kanpur and (ix) West Bengal Consultancy Organisation Ltd. (WEBCON), Kolkata.

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; KfW and 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 about 37,000 beneficiaries comprising 34,500 MSMEs and 2,500 bankers and other stakeholders. The Project has received Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Award in 2011 for “Making Markets Work” for Indian MSMEs. Last year, it had fetched ADFIAP award for “Local Economic Development”.

The Project has two major components : Credit Facility by World Bank and KfW and Technical Assistance by DFID, UK; KfW and GIZ, Germany.

A. Credit Facility

Long term financing is a critical input for supporting capital formation and technological upgradation. Looking beyond traditional approaches, the Project helps facilitate MSME growth for survival and sustainability by providing Credit Facility. Under this component, the Bank had earlier utilized one Line of Credit (LoC) from World Bank (USD 120 million) and KfW, Germany (Euro 43.5 million) well ahead of schedule and benefited 1,294 MSMEs. Encouraged by the success, the World Bank and SIDBI contracted additional LoC of USD 400 million in June, 2009 which has benefitted more than 2,300 MSMEs till March 2011.

B. Technical Assistance (TA)

B.1 DfID-

Business Development Services - MSMEFDP has, through long and short term interventions, reached out to 25 clusters and benefitted more than 22,000 MSMEs in these clusters mainly to strengthen MSMEs' access to marketing, skill upgradation, technological changes and various other services. By fostering Business Development Services (BDS) in 19 clusters, project is giving new dimensions to cluster development by acting as market enabler. More than transactional benefits, a systemic change is being brought about by developing sustainable and technically competent - locally relevant experts (400 BDS -both individual/ Institutional), enabling national/ international compliances by MSMEs in clusters. These have been achieved through 960 activities (cumulatively since 2006-07), over 1453 transactions (through innovative voucher scheme). These are now being replicated without project support. Project has also tried various innovative tools / model for BDS delivery viz. BDS Clinic, BDS on Wheels, 19 virtual BDS (websites) etc. Industry Associations being integral part of the programme, are being facilitated to carry forward the activities after project exit. The support has enabled industry associations to cater to members with revenue models such as accessing finance (over ₹ 170 million), float several PPPs (50 BMOs to pilot nearly 40 PPP initiatives), leverage common procurement / marketing etc. The project has also strengthened the capacity of the 7 Facilitator Agencies (through cross learning fora nurturing over 65 experts) who are ready to take forward the replication of this soft infrastructure development model in clusters.



Shri H. S. Meena, IAS, JDC, MoMSME inaugurated the Gallery at the National BDS Workshop. Others from L to R - Shri K.G. Alai, CGM, Shri R. K. Das, GM and Shri Manoj Mittal, GM, SIDBI

Credit Information and Credit Rating

- ◆ The Project has supported capacity building of Credit Information Bureau of India Ltd. (CIBIL) for strengthening credit information on MSMEs. CIBIL has been able to increase its MSME database to more than 55.81 lakh enterprises at end March 2011 – almost 85.43 % of its total credit history related enterprise database. The total number of Credit Information Reports generated has gone up to 3.63 lakh till March 2011 which indicates its increasing efficacy in credit dispensation.
- ◆ The integration of Consumer and Commercial Bureau is underway which will enable emergence of robust Credit supplementation mechanism.

- ◆ The Project has also supported capacity building of SME Rating Agency of India Ltd. (SMERA) to increase credit rating awareness among MSMEs and achieve higher number of credit ratings of MSMEs. SMERA has completed 10,954 ratings till March 2011 and organized 626 events for awareness and information dissemination. With Project handholding, SMERA has launched a model for 'Green Rating' for MSMEs for the first time in the country. It has already conducted 36 ratings under 'Green Rating' model.
- ◆ The Project has supported the CART (Credit Appraisal and Rating Tool) Cell of SIDBI. The Tool has been given to 16 public sector banks and 11 State Financial Corporations who are active in the field of SME financing. The project has helped in not only increasing the number of MSME retail loans but enabled reduction in turnaround time and achieve lower Non Performing Assets (NPAs). With the Project support, CART Cell has been launching variants like Receivable Finance Scheme / Working Capital / Direct Credit Scheme. More than 252 officers have been trained on CART with 117 officers from SIDBI and 135 from other banks/FIs.

Technical Assistance to Banks/FIs

This component of the Project aims at capacity building of banks in innovating the delivery mechanisms, modifying processes, launching new products, training of officials in MSME lending, etc. The Project has so far supported capacity building of about 12700 officials of different Banks / FIs/ PFIs in various areas like Environment Management Framework, Credit Scoring, Downscaling techniques, Risk Capital Financing, Procurement Guidelines and Credit Information (data input, report interpretation /analysis etc.). New models for doing small loans profitably - Up-scaling MSME etc.

Policy Advocacy – In order to strengthen the policy/legal/regulatory framework, the Project provides technical assistance in promoting informed and evidence based dialogue in the public domain on key policy measures that are critical to establishing a more efficient policy framework for MSME development. A few good examples include:

- ◆ Creating a robust knowledge bank (www.msme FDP.net)
- ◆ Book on “The Global Best Banking Practices in MSME Financing and Development” released as a part of Policy Series initiatives.
- ◆ For the first time in India, the Advocacy Challenge Fund for Enterprise Development has been launched under which support has been extended for MSME Solution Centre (a facilitation point for BDS including senior citizens and MSMEs), Green Dhabha (making 60 plus road side eateries adopt green agenda), MSME Confidence Index (periodical assessment of MSMEs expectations), E Procurement and Indo- China Textile CSR benchmarking initiatives. Project is also soon going to launch single source web-based information channel.

C. Other Promotional Initiatives

- ♦ **Micro Enterprises Business Information Counselors** - In order to foster entrepreneurship and remove information asymmetry within micro enterprises of underserved regions, the Project has taken an initiative for developing a cadre of BDS providers for counselling, initial handholding and development of micro enterprises in North-Eastern region as Micro Enterprise Business Information Counselors (MEBIC). More than 1200 prospective entrepreneurs have been provided counseling services till date.
- ♦ **National Level Mentoring to MSMEs** - Capacity building assistance has been sanctioned for development of a portal, viz. www.msmentor.in as a new online platform to facilitate identifying and reaching the right Professionals / service providers in a simple, cost-effective and time-efficient manner for Indian MSMEs. This website is a jointly supported initiative of SIDBI and National Stock Exchange. State Bank of India has also joined as a Gold Sponsor and Union Bank of India as a Co-Sponsor. This dynamic platform enlists information on Professionals/ BDS Providers from all over the country and across all disciplines. These are available to mentor, guide and hand-hold MSMEs. MSMEs can identify and reach out to the experts they need, through a simple but powerful search. Presently, this service is being provided free of charge for both Professionals/ BDS Providers to enroll and for MSMEs to search.
- ♦ **Support to Faridabad Small Industries Association** - The support to Faridabad Small Industries Association (FSIA) is towards capacity building for channelizing larger credit flow to its MSME members and thus meeting their unplanned credit needs. As on March 31, 2011, 52 MSMEs have been provided financial support. SIDBI has recently signed two MoUs with Integrated Association of Micro, Small and Medium Enterprises of India (I am SME of India), SPV incorporated by FSIA for financing green energy to the MSME members of FSIA for reducing Co2 emission. Under the arrangement, a scheme would be evolved for financing solar energy equipment to MSME members. The second MoU would devise the credit delivery arrangement between SIDBI and I Am SME of India.

- B.2 KfW Technical Assistance** - Under KfW Technical Assistance, technology up-gradation (in the forms facilitating Videoconferencing) / IT needs of 19 branches and strengthening the sectoral data bases of Central Loan Processing Cells of the Bank by procuring the I Cube software from CMIE has been provided. Also, KfW has been supporting international and national exposures to SIDBI.

B.3 GIZ Technical Assistance – Under GIZ Technical Assistance, the Phase II (entitled ‘Fostering Responsible Competitiveness’), implementation comprising Business Development Services, Financial Services and Policy Advocacy has since been initiated. This phase is under the MSME umbrella programme wherein Ministry of MSME shall also develop more synergy by benefitting from GIZ TA and international expertise.

A few important initiatives include Policy Advocacy Projects like Responsible Lending Workshop (Integration of E&S into Risk Assessment Framework), Credit Mapping in 10 Clusters and Sustainable initiatives. GIZ also supported SIDBI in roping in German experts for technology mapping of rice mills in Murshidabad, West Bengal and upgrading sectoral skills of credit officials by engaging CMIE for database, regular one page sectoral / economy updates.

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 ₹ 27.81 lakh was extended under various programmes in NER. The various activities undertaken in the NER during the year are briefly given below :

- ◆ Under the Bank's Flagship P&D Programme, viz. RIP, 22 districts in NER have so far been covered, out of which, 12 are currently under implementation. These RIPs have resulted in promotion of more than 2,300 units including 327 units during FY 2011.
- ◆ The Bank has supported 39 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 5600 artisans.
- ◆ A Micro Enterprise Business Information Counselors (MEBIC) Centre at Guwahati has been set up by SIDBI for fostering entrepreneurship by providing counselling, initial handholding and development of micro enterprises in NER. The support has been given to Rashtriya Gramin Vikas Nidhi (RGVN) for operating this Centre. Till March 31, 2011, the Centre has rendered service to more than 1,200 existing and prospective micro entrepreneurs.



SIDBI participated in the Financial Outreach Programme organised by RBI at villages of East Sikkim, Manipur and Tripura

- ◆ For accelerating the process of entrepreneurship development and utilise the youth potential, the Bank has supported around 50 vocational training programmes, marketing activities, seminars and exhibitions for the benefit of MSME sector in the NER.
- ◆ Further, with regard to institution building, the Bank had co-promoted North Eastern Development Finance Corporation Ltd. (NEDFi) at Guwahati and as a founder member, had extended corpus fund to Indian Institute of Entrepreneurship (IIE), Guwahati for setting up the Institute. Both the institutions are engaged in various activities for the overall development of the Region.



Management and
Corporate Governance

MANAGEMENT AND CORPORATE GOVERNANCE

SIDBI professes the philosophy of a responsible corporate citizenship by way of commitment to Good Corporate Governance Practices (GCGPs) through professional management, compliance to various codes of conduct and adherence to ethical business practices, etc. The Bank has already documented its corporate governance principles in its Corporate Social Responsibility Report in line with globally accepted Global Reporting Initiatives (GRI) indicators. During the year under review, the Bank interacted with its various stakeholders to address the key priority issues of sustainability for the Bank and is in the process of taking concrete measures for integrating sustainability into its operations.

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 Corporation) 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 August 15, 2011, comprised fourteen Directors, including CMD and two Whole Time Directors.

In terms of GoI Notification dated July 7, 2010, Shri R.M. Malla, CMD was appointed as the CMD of IDBI Bank Ltd. Subsequently, Shri Malla took charge of IDBI Bank Ltd., on July 9, 2010. Thereafter, in exercise of the powers conferred by Section 6(1)(a) of SIDBI Act 1989 (39 of 1989), the Central Government, vide its notification dated April 1, 2011, appointed Shri Sushil Muhnot as the CMD of SIDBI. Shri Muhnot took charge as CMD on April 04, 2011. Till that time, Shri Rakesh Rewari, Deputy Managing Director co-ordinated the day-to-day affairs of the Bank.

In exercise of powers conferred by Section 6 (1)(b) of SIDBI Act, 1989 (39 of 1989), Government of India, vide its notification dated August 31, 2010, appointed Shri Navin Kumar Maini as Deputy Managing

Director (DMD). Shri Maini took charge as DMD on September 1, 2010. Further, the Central Government, in exercise of powers conferred by Section 6(1)(c) of the SIDBI Act, 1989 (39 of 1989), appointed Dr. Shyam Agarwal, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises, as a Director on the Board of SIDBI with effect from March 23, 2011 vice Shri Madhav Lal.

The Government of India, vide two Notifications, both dated May 12, 2011, appointed Shri Vikas Raj, Managing Director (MD), Andhra Pradesh State Financial Corporation (APSFC) and Shri Prakash Bakliwal as Directors on the Board of SIDBI with effect from the date of notification. Following the appointment of Shri Vikas Raj, MD, APSFC, on the Board of the Bank, Shri S.S. Chattopadhyay ceased to be a Director. The Board of SIDBI has co-opted Shri P.A. Sethi, former Executive Director, Vijaya Bank, as a Director under Section 6(1)(f) of SIDBI (Amendment) Act, 2000 for a period of three years with effect from June 4, 2011. Further, in exercise of the powers conferred by Section 6(1)(c) of the Small Industries Development Bank of India Act, 1989 as amended in the year 2000, the Central Government, vide its notification dated August 3, 2011, nominated Shri Anurag Jain, Joint Secretary, Department of Financial Services, Ministry of Finance, as a Director on the Board of SIDBI vice Smt. Ravneet Kaur with effect from the date of notification.



Senior Executives of SIDBI during the meeting of Board of Directors

The Board placed on record its high sense of appreciation of the valuable contributions made by Shri R.M. Malla during his tenure as CMD of SIDBI. The Board also placed on record its high sense of appreciation of the valuable contributions made by Shri Madhav Lal, Shri Chattopadhyay and Smt. Ravneet Kaur during their tenure as Directors on the Board of SIDBI.

With the objective of giving focused attention to various important issues, the Board has constituted five Committees, viz. Executive Committee (EC), Audit Committee (AC), Risk Management Committee (RiMC), Committee for Supervision of SFCs (CfS) and Special Committee to Monitor Large Value Frauds (SCMLVF). 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 SFCs. 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. Minutes of the meetings of the Committees, containing decisions made, are submitted to the Board.

The Board held eight meetings during FY 2010-11, while the Committees of the Board, viz. the Executive Committee, Audit Committee, Risk Management Committee, Committee for Supervision of SFCs and Special Committee to Monitor Large Value Frauds held eight, eight, five, three and four meetings respectively. Besides, SIDBI held its 13th Annual General Meeting on June 24, 2011 at Lucknow.

Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) of the Bank is headed by the Chairman & Managing Director and comprises Dy. Managing Directors, Executive Directors 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 on regular basis. 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 ALCO meetings were held at periodic intervals and also when the market conditions so warranted during FY 2010-11 as per the ALM Policy. The Committee met on thirty four occasions during FY 2010-11 and deliberated on various issues, such as, performance budget for the FY 2010-11, cash flow positions, 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 and 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 was reconstituted once during FY 2010-11 and met 21 times to, inter alia, deliberate upon various investment proposals, fixing of floor price for sale of shares, etc.

Secondary Market Committee

The Secondary Market Committee regularly monitors the stock movements of the potential scrips and then recommends purchase / sale of selected scrips in different sectors for consideration. The Committee was reconstituted once and held forty one meetings during FY 2010-11.

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) and Management Audit (MA) of Branch Offices (BOs) / Zonal Offices (ZOs) / Head Office (HO) Departments on a regular basis. During FY 2010-11, OA of BOs has been done on half yearly basis for those branches whose MSME credit portfolio exceeded ₹ 150 crore and for the rest of the BOs, the audit continued to be on annual basis. During FY 2010-11, the bi-monthly Transactions Audit (TA) of Resources Management Department (RMD) pertaining to borrowings of the Bank has been modified and is being conducted on a monthly basis. Besides the above, IAD reviews the monthly Concurrent Audit reports of RMD. On the advice of Statutory Auditors, IAD organises the quarterly Limited Review Audit of select BOs. Overall, the audits ensure ZOs and HO Departments are subjected to MA on an annual basis which covers the managerial, supervisory and controlling functions as well as important operational aspects. Compliance to KYC/ AML guidelines, verification of end use of funds, creation of assets, adherence to guidelines, systems & procedures, etc. are emphasized.

During the year under review, 141 audits comprising 92 OAs, 12 Concurrent Audits of RMD, 10 TAs of debt servicing activities of RMD, one TA of Mumbai Bandra Kurla Complex Branch Office, MAs of 6 ZOs and 20 HO Departments/ Cells were completed.

Credit Audit was introduced during FY 2009-10 primarily to identify and rectify any shortcomings in sanction of loan / security documentation and compliance of terms of sanction before effecting any disbursement and thereby mitigate the risk involved in lending. Under Credit Audit, high value sanctions, i.e. sanctions / exposure above ₹ 5 crore are covered. During FY 2010-11, as envisaged at the time of introduction of Credit Audit, the scheme was revised and the threshold limit was reduced to ₹ 3 crore, in order to cover more cases under Credit Audit. Besides, 10% of the proposals involving sanctions below ₹ 3 crore are also covered on a sample basis. During FY 2010-11, Credit Audit was conducted in respect of 350 cases and on cumulative basis, so far, Credit Audit has been conducted in respect of 442 cases since its introduction.

IAD, as a monitoring measure, follows up with all ZOs/ BOs/ identified HO Departments for submission of annual Off-site Monitoring Statement as on June 30 every year. Also, it follows up with ZOs for submission of Monthly Status Report on the status of compliance of audit observations and issuance of Closure Certificates to BOs.

IAD submits various memoranda to Audit Committee of the Board (ACB) as a measure of good Corporate Governance. During the year, ACB met 8 times to discuss the memoranda submitted as per Annual Calendar. Steps have been initiated for uploading of OA / MA activities in Audit Software.

Human Resources – Overview

Apart from the continued focus of Human Resources to give the necessary impetus for the growth in business of the Bank by providing the requisite manpower, the initiatives during the year under review have been directed towards building an information-led approach supported by technology for managing and nurturing the human capital of the Bank. The activities undertaken by the Bank for Human Resources Management and Development are given in following paras.

Personnel

As on March 31, 2011, the Bank had on its rolls a total of 1,032 active full time staff comprising 864 Officers, 94 Class III staff and 74 Subordinate staff. Of the total staff, 184 belonged to Scheduled Castes (SCs), 74 to Scheduled Tribes (STs) and 129 to Other Backward Classes (OBC). The staff strength included 12 employees in Ex-servicemen and 17 employees in Persons with disabilities (PwD) categories. The strength of women employees was 222, indicating the Bank's position as an equal opportunities employer.



SIDBI celebrated the 100th anniversary of International Women's Day with a stakeholder consultation workshop at New Delhi.

The Bank generally deputs its officers to other partner institutions on selective basis to develop synergy and share experience in the broader interest of MSME sector development as also to explore the possibilities of niche product concepts feasible in the overlapping domain of the institutions. The Bank had, during the year, deputed its officers to occupy strategic positions in its various associates/subsidiaries and outside partners, viz. Rashtriya Mahila Kosh (RMK), Orissa State Financial Corporation (OSFC) and also National Stock Exchange (NSE).

Training & Career Development

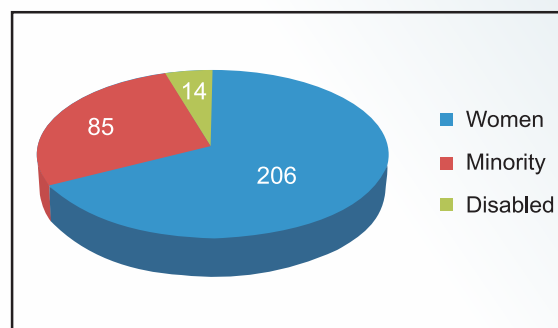
Training of employees has always been a key feature for upgrading the quality of manpower and to cope with the changing business environment and contribute effectively towards organizational goal. The focus of training during the period was to build the skills and competencies of maximum number of employees 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. The training programmes organized during the year were on diverse topics like Enterprise System Architecture (ESA) module, Environmental & Social and Procurement Frameworks, Working

Capital Management, Energy Efficiency & Clean Development Mechanism, Familiarisation programme on Microcredit, Legal matters, Programme on Audit, Direct Finance (Project Appraisal, Monitoring and Follow-Up), Excel 2007, Customer Relationship Management and Reservation Policy. Besides, induction trainings for the newly recruited officer trainees and training programmes for Class III employees were also conducted.

In order to provide relevant training to its staff, 1,025 nominations were made by the Bank during FY 2010-11 to various inland, in-house and international training programmes organized by renowned training / academic institutions, out of which 206 nominations were from women employees, 405 nominees belonged to reserved categories and 93 to the subordinate staff. A total number of 845 nominations were made to various inhouse training programmes during FY 2010-11. In addition, the Bank sent 136 nominees for inland training programmes organised by reputed institutions like Institute of Public Administration(IPA), Bangalore, ACCION, Microsave Pvt. Ltd, Foreign Exchange Dealers' Association of India, NIBM, APRACA, IIM-Bangalore & Ahmedabad, Asian Development Bank, etc.

The Bank also made 44 nominations for overseas programmes to familiarize its officers with the international practices in the areas of Banking, Finance, Management, Microfinance, etc. The programmes covered under the International trainings included Study Tour Programme on MSME Financing, Strategic Leadership for State-Owned Enterprise, Retail Banking, Advanced Management Programme, Boulder Microfinance training programme, Financial Institutions for Private Enterprise Development, Micro & SME Finance in Theory and Practice, Core Development Banking programme Training cum exposure visit on Microfinance in Vietnam, Training programme in Energy Conservation Techniques for Small & Medium enterprises in India, etc.

Figure 5.1 : Training programmes attended by Staff



The number of training programmes attended by women, minority and disabled officers of the Bank is given at Table 5.1 and Figure 5.1 :

Table 5.1 : Training Programme attended by women, minority and disabled officers of the Bank

Training Type	Women	Minority	Disabled	Total
International	4	5	1	10
Inland	28	4	-	32
In-house	174	76	13	263
Total	206	85	14	305

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. Accordingly, the In-charges of the Zonal Offices of the Bank have been nominated as nodal officers to attend to grievances of the borrowers / clients from their Zones. 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 its grievances and complaints, if any, against the Bank and/or its constituents. 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 2010-11, 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 Fund.

Technology-based initiatives

In line with the recent thrust on automation of HR processes, Search Employees & Addresses by Reporting or Cadre Hierarchy (S.E.A.R.C.H.), an on-line directory of officers launched last year, was made more user-friendly with new features like providing access to a zone-wise-office-wise directory, office-wise calendar, locational map of each office and provision for displaying details of Visiting Officers Flats at a particular location. Carrying the momentum further, new initiatives detailed hereunder have also been launched, covering new directions in the overall HR set-up.

D.E.S.K (Departmental Experience and Staff Knowledge)

The module has been launched to help build a repository of the skills of the officers in terms of their desk related experience, training needs, etc. The objective is to help the Bank in planning teams having complementary skills, planning careers of the officers by providing suitable trainings and desk placements and other human resource development functions through technology based tools. The software has been able to capture critical inputs which could also be put to use in the promotional exercise.

In a parallel development, Transfer Planning Module, an exclusive software for automating the process in line with prevalent practice in the Bank, has also been developed in-house, which simplifies and minimizes human intervention, thereby contributing to the objective of transparent and unbiased planning and execution.

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 In-charges of six Zones, in their ex-officio capacity as Zonal Vigilance Officers of their 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.



Celebration of Vigilance Awareness Week at Lucknow

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 in perpetration of frauds on the Bank and getting their names 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 type inspections periodically, to ensure that the procurement of goods and services is being carried out as per the extant 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. Towards this end, many steps have been taken including formulation/ modification of whistle blower policy, staff accountability policy, grievance redressal policy, etc. Steps have also been taken to strengthen the credit monitoring process and spreading knowledge/ awareness about various frauds taking place. Further, Vigilance Sensitization Workshops are also being held by the CVO at regular intervals.

Computerization

The Bank continues to lay special emphasis on leveraging Information Technology for servicing the MSME sector in an efficient manner. A major initiative of the Bank was implementation of Enterprise System Architecture (ESA) which included core banking solution at all the relevant Branches. ESA has helped in achieving process integration, optimization and standardization across the Branches. Administration Staff Payment System for Reimbursements and Loans & Advances was also implemented as part of ESA. The entire workflow process, eligibility/business rules are automated and software is integrated with other systems like Human Resource Management System (HRMS), Accounts, Salary, etc. The platform has significantly reduced data collection, forwarding and processing time both at purchaser and Bank level. Video Conferencing (VC) was added at 18 more offices in the Bank, making a total of 50 offices with VC facilities.



Use of Video Conferencing for internal meeting and training programme.

Corporate Image Building

During the year, a mixed strategy was adopted for brand recall and product awareness through print and direct contact with customers by organizing seminars, customer meets and exhibitions. Under corporate print campaign, advertisements were released in sector specific magazines covering all major sectors. Events which are MSME related or MSME specific were given more importance. Special seminars were organised throughout the country as part of 20th year celebration of the Bank. In addition, special advertisements were released in all major newspapers to popularise the new schemes introduced by the Bank during the year, viz. energy saving scheme, risk capital and technology innovation scheme.



Stakeholder engagement as part of Corporate Social Responsibility conducted at New Delhi.

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 to

Hindi letters in Hindi by all offices of the Bank. As regard Hindi correspondence, most of the offices situated in region 'C' surpassed the prescribed target, while the offices situated in Region 'A' and 'B' further consolidated their position during the year. 26 offices of the Bank are notified in the official Gazette of India, under Rule 10(4) of the Official Language Rules, 1976. Action has been taken to notify 2 more offices.



Group photo of Prize winners of Fifth All India SIDBI Hindi Essay Competition, along with Senior Executives and Hindi Department officers.

In order to increase the usage of Hindi in the functioning and operations of the Bank, the Bank continued to lay emphasis on conducting Hindi Workshops. A total of 53 workshops were conducted in the Bank, in which staff-members from all the offices were trained. The participating staff-members were imparted training in functional aspects of Hindi language, besides use of Hindi on computer and use of Unicode. Official Language Implementation Committees are constituted in all the major offices of the Bank. Quarterly Hindi magazine 'Sankalp' continued to be published regularly from the Head Office. Hindi Libraries at various offices of the Bank, including Head Office, were allocated budget for the purchase of Hindi books and staff members were enriched by utilising the same.

In the Reserve Bank Rajbhasha Shield Competition 2009-10 declared during the year, the Bank got consolation prize in Region 'C'. In accordance with the Government's policy of propagating Hindi by means of persuasion and motivation, the Bank implemented several incentive schemes, such as, SIDBI Rajbhasha Shield Competition, Sarvottam Rajbhasha Pratinidhi Yojana and Cash Award Scheme for the staff-members carrying out their maximum work in Hindi during Hindi Fortnight. The bilingual web site of SIDBI was not only regularly updated but also made fully Unicode based during the year. The Bank has organized the Sixth All India SIDBI Inter Bank Hindi Essay Competition, in which various banks of the country participated with great zeal. During the year, internal inspection with regard to implementation of Official Language was undertaken in 30 offices.

The Drafting and Evidence Sub-committee of the Committee of Parliament on Official Language had deliberations with Coimbatore Branch Office 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. The representatives of the Regional Implementation Offices of the Department of Official Language, Ministry of Home Affairs, Government of India carried out inspections of Head Office, Lucknow, Kanpur and Ahmedabad Branch Offices and appreciated SIDBI's efforts with regard to Official Language Implementation.

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. Various offices of the Bank, including Head Office participated in the meetings of local Town Official Language Implementation Committees (TOLICs) as also in the programmes / competitions organized under the aegis of their respective TOLIC.

Implementation of RTI Act, 2005

The Bank is implementing the Right to Information Act (RTI), 2005, (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, subordinate legislations, etc. as envisaged under Section 4(1) (b) of the Act. The Bank has also appointed Central Public Information Officer (CPIO), Central Assistant Public Information Officers and the 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 to oversee the implementation of Section 4 of the Act with a view to promote congenial conditions for positive and timely response by CPIO to RTI requests. A Standing Committee for Implementation of the Act (CIRA) has been constituted by the Bank which assists the Transparency Officer for the effective implementation of the RTI Act in the Bank. During the year, the Bank received 114 applications seeking information and all the applications were disposed off as per the provisions of the Act within stipulated time.

During the year, 22 appeals were made to the First Appellate Authority (FAA) of the Bank, who disposed of the same within stipulated time. Against the decisions of FAA, five, 2nd appeals were preferred before the CIC.

Awards to SIDBI

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) – with membership of 116 institutions from 42 countries, honoured SIDBI with two awards in FY 2010-11 including for “MSME Financing & Development Project (MSMEFDP)” under Local Economic Development Category for “Making Markets Work for MSMEs”.

Acknowledgements

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), Department for International Development (DfID), U.K.; Kreditanstalt für Wiederaufbau (KfW), Germany; The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany; International Fund for Agricultural Development (IFAD), Rome, 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.



Subsidiaries and Associate
Organizations of SIDBI

SUBSIDIARIES AND ASSOCIATE ORGANIZATIONS OF SIDBI

SUBSIDIARIES

SIDBI Venture Capital Limited

SIDBI Venture Capital Limited (SVCL) is an asset management company, established in 1999 for managing Venture Capital (VC) activities. Over a period of twelve years, the assets under its management have steadily increased. At present, it manages two VC funds, viz. the National Venture Fund for Software and Information Technology Industry (NFSIT) and the SME Growth Fund (SGF) with a total corpus of ₹ 600 crore raised from Domestic Institutional Investors. After committing the above corpus, it has launched its third fund viz., “India Opportunities Fund” (IOF) with a likely initial closure ₹ 570.65 crore.

NFSIT

NFSIT was set up in August 1999, with a corpus of ₹ 100 crore contributed by SIDBI, Ministry of Communications and Information Technology (MCIT), Government of India and IDBI Bank Ltd. NFSIT focused to make investments in early-stage software and Information technology companies.

Operations of NFSIT

NFSIT has completed eleven years of operations and invested ₹ 84.40 crore in 31 companies. The NFSIT portfolio covers a wide range of IT and ITES businesses. While early stage investments have limited exit options, NFSIT has been making divestments primarily by way of sale to strategic / financial investors at opportune times. As on March 31, 2011, NFSIT has made partial / full exits from 26 companies and has distributed aggregate amount of ₹ 104.22 crore to its contributors (including ₹ 18.62 crore distributed in FY 2010-11). NFSIT still holds seven investments which are expected to give attractive returns. NFSIT and one of its portfolio companies viz. “Indiaideas.com Limited” have been jointly named as winning projects under the Category – “Technology Development” in ADFIAP Awards 2011.

SME Growth Fund

SME Growth Fund (SGF) is an 8-year close ended VC Fund, set up in 2004, with a corpus of ₹ 500 crore, contributed by SIDBI and 8 scheduled commercial banks. It is a General Fund with focus on the growth stage SMEs in the areas of auto components, textiles, life sciences, clean technologies, retailing, light engineering, information technology, services, etc.

Operation of SGF

SGF has completed its investment phase and invested ₹ 456.09 crore in 25 companies in diverse sectors. It has also started exiting from investments on getting suitable opportunities. As on March 31, 2011, SGF has made partial / full exits from 7 companies and has distributed aggregate amount of ₹ 159.58 crore to its contributors (including ₹ 110.03 crore distributed in FY 2010-11).

India Opportunities Fund

SVCL has launched its third fund viz., “India Opportunities Fund” (IOF) in 2010. IOF has so far received aggregate commitments of ₹ 570.65 crore. In spite of highly competitive fund raising environment, SVCL with SIDBI as an anchor investor, has been able to mobilise commitments from major domestic institutional investors, viz. LIC of India, State Bank of India, Canara Bank, IDBI Bank, Bank of Baroda, Syndicate Bank, Punjab National Bank and Technology Development Board. The first closure of IOF is expected shortly and thereafter it would commence operations. IOF shall be sector agnostic and shall focus on making early and growth stage investments.

Marketing Initiatives of SVCL

SVCL took various marketing initiatives to promote venture capital among SMEs. It sponsored / co-sponsored eleven events during the year under review viz. “Annual PE Convention 2010” organised by VCAI, “Empresario 2010- Navkriti” organised by NITIE, “Avenues - Navonmesh 2010” organised by IITB - SJMSOM, “Venture Capital Corporation 2010” organised by Indian School of Business, “TIECON 2010” organised by TiE, Chennai, “7th National VC conference on VC finance: Meeting of great minds for Smart Money 2010” organised by FICCI and Rajasthan Venture Capital Fund, VC Circle SME Investment Camp 2011 organised by VC Circle, “TiE Entrepreneurial Summit 2010” organised by TiE, New Delhi, “Enterprising India” organised by TiE, Mumbai, “Vision 2020 - Policies for a dynamic framework of MSMEs” organised by FICCI and “INFOCOM 2010 - 11 - workshop for Mobile VAS Developers” organised by ABP Pvt Ltd.

Balance-Sheet of SVCL

The abridged Balance Sheet as at March 31, 2011 and the profit and loss Account of SVCL for the period April 01, 2010 to March 31, 2011 are given in the following tables :

Table 6.1: Abridged Balance Sheet of SVCL

(₹ lakh)

As at March 31, 2010 (Audited)		As at March 31, 2011 (Audited)
	Liabilities	
1,500.00	Paid up Capital	1,500.00
498.51	Reserves and Surplus	569.88
780.33	Current Liabilities & Provisions	725.19
2,778.84	Total	2,795.07
	Assets	
10.07	Net Fixed Assets	7.80
1,664.00	Current Assets, Loans & Advances	1,679.96
1,101.00	Investment	1,101.00
3.77	Deferred Tax Assets	6.31
2,778.84	Total	2,795.07

Table 6.2 : Abridged Profit & Loss Account of SVCL

(₹ lakh)

As at March 31, 2010 (Audited)		As at March 31, 2011 (Audited)
	Income	
1,150.82	Management Fees	1,052.88
82.75	Interest on Fixed Deposits	86.17
46.04	Other Income (incl. Upfront fees)	6.46
1,279.61	Total	1,145.51
	Expenditure	
414.25	Establishment & other expenses	394.36
865.36	Profit before Prior period Adjustment	751.15
8.02	Add: Prior period adjustments / excess provision for income tax / FBT for earlier years	9.96
873.38	Profit before Tax	761.11
300.00	Less: Provision for Tax	255.00
1.19	Add: Deferred Tax Asset	2.54
574.57	Profit after Tax	508.65
25%	Dividend	25.00%

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). Now, it is also acting as Trustee of SME Growth Fund. The company has appointed SIDBI Venture Capital Limited (SVCL) to act as the Investment Manager to NFSIT & SGF.

Balance-Sheet of STCL

The abridged Balance Sheet as at March 31, 2011 and Profit and Loss account for the period April 01, 2010 to March 31, 2011 for STCL are as given below:-

Table 6.3: Abridged Balance Sheet of STCL

(₹ lakh)

As at March 31, 2010 (Audited)		As at March 31, 2011 (Audited)
	Liabilities	
5.00	Paid up Capital	5.00
224.75	Reserves and Surplus	277.11
0.67	Current Liabilities & Provisions	1.00
230.42	Total	283.11
	Assets	
0.00	Net Fixed Assets	0.00
230.42	Current Assets, Loans & Advances	283.11
0.00	Deferred Tax Assets	0.00
230.42	Total	283.11

Table 6.4: Abridged Profit & Loss Account of STCL

(₹ lakh)

As at March 31, 2010 (Audited)		As at March 31, 2011 (Audited)
	Income	
55.00	Trusteeship Fees	55.00
16.02	Interest on Fixed Deposits with Banks	19.14
0.00	Misc. Income	0.20
71.02	Total	74.34
	Expenditure	
3.29	Establishment & other expenses	3.35
67.73	Profit before prior period adjustment	70.99
0	Add : Excess Provision for income tax for earlier years	3.37
67.73	Profit before Tax	74.36
21.00	Less: Provision for Tax	22.00
46.73	Profit after Tax	52.36

Outlook

India's GDP growth is based on domestic demand which is spurred by a large, growing young population, rising middle-class household consumption, and growing savings and investment rates which will support economic growth over the next five years. India may also have the opportunity to diversify its exports to rapidly growing Asian markets and leverage more on domestic demand to support its growth. In the backdrop of economic growth, VC investment and exit activities are likely to increase in the coming year. SVCL is uniquely positioned to invest in high growth MSMEs of the future. Going forward, with the expected commencement of operations of India Opportunities Fund (IOF) in the current financial year for FY 2011-12, SVCL is expected to play an important role in catalyzing entrepreneurship by providing capital and other strategic inputs to the MSME sector.

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 Micro, Small and Medium Enterprises (MSME), Government of India and SIDBI contributed ₹ 200 crore and ₹ 50 crore, respectively, to the corpus of CGTMSE during FY 2010-11, raising the total corpus size to ₹ 2156.57 crore.



Workshop on "Bank loan for SME and role of Credit Guarantee" organized at Agartala

Member Lending Institutions

During FY 2010-11, 17 new MLIs were registered with CGTMSE. During the year, some of the MLIs ceased to exist due to their mergers with other banks/MLIs. Cumulatively, the total number of registered MLIs as at March 31, 2011 was 126, comprising 27 Public Sector Banks, 19 Private Sector Banks, 67 Regional Rural Banks, 4 Foreign Banks and 9 other Financial Institutions. As at March 31, 2011, there were 106 MLIs which have availed guarantee cover under Credit Guarantee Scheme.

Operations of Credit Guarantee Scheme

CGTMSE achieved two significant milestones during FY 2010-11, viz., over 2.50 lakh guarantee approvals in a single financial year and 5.52 lakh guarantee approvals cumulatively as on March 31, 2011. As against the target of 2,50,000 guarantee approvals set for FY 2010-11, the Trust achieved 2,54,000 guarantee approvals amounting to ₹ 12,589.22 crore during FY 2010-11, registering a growth of 68% in terms of number of accounts covered and 83% in terms of amount guaranteed over the previous financial year. Cumulatively, as at March 31, 2011, a total of 5,51,740 accounts have been accorded guarantee approval for ₹ 23,846.01 crore. The sharp growth in coverage under the CGS is indicative of the fact that the Scheme is now finding greater acceptance with both the MLIs and the MSEs in the country.

During the year, the top five MLIs in terms of number of proposals covered under CGS were State Bank of India (50,344 proposals for ₹ 2,170.34 crore), Bank of India (28,280 proposals for ₹ 1,802.47 crore), Punjab National Bank (26,210 proposals for ₹ 1,438.86 crore), Indian Overseas Bank (22,856 proposals for ₹ 820.10 crore) and Allahabad Bank (12,502 proposals for ₹ 529.69 crore). Cumulatively, as on March 31, 2011, State Bank of India has the highest coverage of 1,04,952 proposals for ₹ 3,896.77 crore, followed by Punjab National Bank (69,318 proposals for ₹ 2,645.76 crore), Bank of India (64,773 proposals for ₹ 3,762.24 crore), Canara Bank (49,264 proposals for ₹ 1,471.13 crore) and Indian Overseas Bank (30,693 proposals for ₹ 1,049.77 crore).

During FY 2010-11, the average size of loans covered under CGS increased to ₹ 4.96 lakh compared to ₹ 4.54 lakh in the preceding financial year. The slab-wise coverage under the CGS is given in Table 6.5.

Table 6.5 : Slab-wise CGS coverage

(As on March 31, 2011)

Range	No. of Proposals	Amount (₹ crore)
Upto ₹ 5 lakh	4,50,202 (81.60%)	6,518.40 (27.34%)
₹ 5 lakh upto ₹ 10 lakh	47,224 (8.56%)	3,756.83 (15.75%)
₹ 10 lakh upto ₹ 25 lakh	40,216 (7.29)	6,730.82 (28.23%)
₹ 25 lakh upto ₹ 50 lakh	10,322 (1.87%)	3,934.93 (16.50%)
₹ 50 lakh upto ₹ 100 lakh	3,776 (0.68%)	2,905.02 (12.18%)
Total	5,51,740 (100%)	23,846.01 (100%)

Note: Figures in the parentheses represent percentage share

An analysis of the cumulative coverage under CGS as at March 31, 2011, indicates that 1,02,538 proposals (18.58%) for ₹ 3,676.95 crore (15.41%) were in respect of Women Entrepreneurs; 30,319 proposals (5.49%) for ₹ 477.02 crore (2.00%) to Scheduled Castes; 8,690 proposals (1.57%) for ₹ 217.81 crore (0.91%) of Scheduled Tribes and 43,653 proposals (7.91%) for ₹ 1,077.52 crore (4.51%) of the 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 6.6 :

Table 6.6: Impact of CGS

Areas of Impact	As on March 31, 2011 (Cumulative)
Estimated turnover of guaranteed units	₹ 1,48,166.70 crore
Estimated exports by guaranteed units	₹ 3,149.43 crore
Estimated employment generation (No. of persons)	19.17 lakh

As reported by MLIs

Awareness Creation

CGTMSE has adopted multi-channel approach for creating awareness of the 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 participated in various seminars / workshops organized by MLIs and Industry Associations, exhibitions and meetings organized by RBI / Central Government 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 and amongst women entrepreneurs. CGTMSE officials also held business development meetings with its MLIs. Sustained print media campaigns were carried out across the country throughout the year to improve visibility and create awareness about the scheme. Information dissemination campaigns were vigorously carried out amongst various stakeholders.

ACSIC Training Programme

CGTMSE hosted the 20th Asian Credit Supplementation Institutions Confederation (ACSIC) Training Programme at Mumbai from August 01-06, 2010. A total of 33 officials of 14 Credit Guarantee Organisations

from 9 countries participated in the programme. The programme was organized for the first time in India and provided an opportunity to the participants to exchange views on credit guarantee mechanisms of their respective countries and understand the issues with regard enhancing the effectiveness of the credit guarantee schemes operated by the respective organizations. CEO, CGTMSE also participated in the 23rd ACSIC Conference held at Cebu, Philippines during November 2010. The 24th ACSIC Conference is scheduled to be held during November 2011 in Goa.

ADFIAP Membership

CGTMSE has become a member of the Associate Member of Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) on February 25, 2011.

SME Rating Agency of India Limited

SME Rating Agency of India Limited (SMERA) was incorporated on August 26, 2005 with the objective of providing independent professional and comprehensive risk rating of the MSME sector so as to provide credit decision support system for the bankers. SMERA is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and several leading public, private and foreign sector banks that are active in the MSME space.

Since its incorporation, SMERA has assigned ratings to 10,954 MSME units (as on March 31, 2011). It has emerged as a leader in MSME rating domain by occupying 33% of total MSME ratings by 6 rating institutions in the country, as per Ministry of MSME data. Further, SMERA has been providing special attention to micro enterprises, which accounted for 54% of its total ratings (Table 6.7 & Figure 6.1).



Awareness workshop on SMERA rating

Figure 6.1 : SMERA Rating

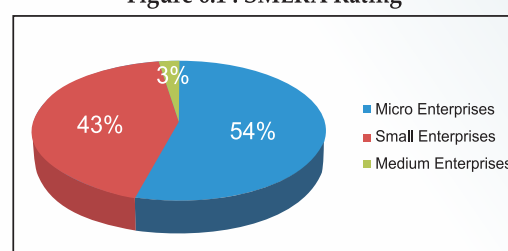


Table 6.7: SMERA Ratings as on March 31, 2011

Category	Ratings	% ratings
Micro Enterprises	5,946	54
Small Enterprises	4,735	43
Medium Enterprises	273	3
Total	10,954	100

New Initiatives

- ♦ Till date, SMERA has entered into Memorandum of Understanding (MoU) with 33 banks, Financial Institutions, State Financial Corporations and leading Industrial Associations with a view to promote third party ratings and its benefits amongst the MSMEs.
- ♦ SMERA has been empanelled by the Directorate General of Shipping (DGS), Ministry of Shipping vide its letter dated September 20, 2010 as one of the agencies for grading of Maritime Institutes conducting pre-sea training courses. In continuation of the diversification strategy adopted by SMERA since FY 2009-10, the company introduced two more specialized rating services in the market viz., Maritime Grading and Education Institute Grading.
- ♦ SMERA has introduced Green ratings on April 2, 2010.
- ♦ SMERA has obtained registration as a Credit Rating Agency (CRA) under the provisions of the SEBI (Credit Rating Agencies) Regulations, 1999 with the Securities and Exchange Board of India (SEBI) w.e.f. February 22, 2011.
- ♦ SMERA has been empanelled by the Ministry of Renewable Energy for rating of Solar entities in the country under the Jawaharlal Nehru Mission.

India SME Technology Services Limited (ISTSL)

India SME Technology Services Ltd. (ISTSL), was set up in November 2005 to provide a platform, where MSMEs can tap opportunities at the global level for acquisition of new and emerging technology or establish business collaboration.

In order to strengthen and accelerate the process of technology upgradation and modernization amongst the MSME sector, ISTSL has entered into partnership with various national and international organizations engaged in similar activities. Some such agencies are Bhabha Atomic Research Centre, Trombay; Mumbai; National Research Development Corporation (NRDC); India Institute of Chemical Technology (IICT), Hyderabad; Council of Scientific and Industrial Research (CSIR), New Delhi; Gujarat Matikam Kalakari & Rural Technology Institute (GMK-RTI) Gandhinagar, Gujarat; National Botanical Research Institute, Lucknow; Indian Agricultural Research Institute (IARI), New Delhi; Shri Ram Institute for Industrial Research (SIIR),



Stakeholders Meet for Energy Efficiency Improvement in Furnace used in MSME Steel Industry Cluster in India at Jodhpur

Delhi; Yissum Research Development Company of the Hebrew University of Jerusalem; Steinbeis Centre for Technology Transfer India, Mechanical Engineering Research and Development Organisation (MERADO), Ludhiana; Medicar Co Ltd., Hungary; Indian Institute of Technology, Roorkee; Defence Food Research Laboratory (DFRL), Mysore; National Environmental Engineering Research Institute (NEERI), Nagpur; Ahmedabad Textile Industry's Research Association (ATIRA), Ahmedabad and National Innovation Foundation (NIF), Ahmedabad to have access to the emerging technologies developed by them. These technologies are being disseminated amongst the MSMEs through ISTSL website and other channels available to it. Besides, ISTSL is also endeavouring to forge workable association with internationally renowned technology transfer intermediary organizations from China, Korea and Japan, etc.

During the year ended March 31, 2011, ISTSL attended to around 200 technology based enquires from MSMEs and offered technology facilitation services towards the technology related needs of MSMEs, some of them are HNP - 'Petrol Performance Enhancer', Side-Stand Gear Lock System, Electrolytic technology for manufacture of Ammonium Persulfate (APS), Solar Photovoltaic, Clean Bioprocess for Quality Coir Fibre Production & Energy Recovery, Energy Storage Capacitor Bank (ESCB), Mixed Plastics Film Laminate Recycling, Plastic Waste Sorting System For Recycling of Pet Materials, Biodiesel from Jatropha Curcus (Ratanjyot) Seeds, Canned Motor For Pump, Bio-Gas Plant, Biofertilizers, Precision Needle File, Pectin from Pectinous Materials, Herbal Dry Colours (Herbal Holi Gulal) and Herbal Colours for Rangoli, Modern Oil Expeller, etc. Recognizing the importance of bringing about energy efficiency and reduction in emission of Green House Gases [GHG], ISTSL's technology facilitation services have laid greater emphasis on dissemination of information on Emerging Green and Energy Efficient technologies amongst MSMEs in order to enhance their productivity and competitiveness and achieve the overall objective of strong, vibrant and low carbon emitting MSMEs sector.

During FY 2010-11, ISTSL has developed working relationship with Bureau of Energy Efficiency [BEE], consequent to which BEE has awarded the assignment of Peer review of Detailed Project Reports (DPRs) prepared by various Executing Agencies on identified energy efficient measures in 25 selected MSME cluster under BEE-SME programme. ISTSL has successfully reviewed about 160 DPRs by suggesting necessary changes / modifications to make the bankable DPRs to finance selected energy efficiency proposals. ISTSL has, since its inception, also undertaken Technical / Energy Assessment of Energy Efficient technologies for SIDBI assisted clients under its various schemes, viz. SIDBI- AFD line of credit and National Manufacturing Competitiveness Scheme [NMCP] of the Ministry of MSME, GoI.

ISTSL has identified Clean Development Mechanism [CDM] as the thrust area and has been working actively in MSME clusters organising awareness campaigns, seminars and guiding MSMEs to take advantage of the opportunities existing in carbon credit market. Towards this end, ISTSL has identified Stainless Steel Re-rolling cluster of Jodhpur, Rajasthan for implementation of programmatic CDM [p-CDM] project under overall programme of bringing energy efficiency in the SME steel industry. The p-CDM constitutes

a new instrument available within the framework of the Kyoto Protocol for support of projects involving quantifiable reductions in greenhouse gas emissions. In the preparation phase of this project so far, a PIN and a PDD have been developed and services of a United Nations Framework Convention on Climate Change (UNFCCC) accredited validators have been hired, a pilot project is in implementation stage and conversations on Programme of Activity [PoA] business model have been initiated.

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, particularly by reconstructing and reviving potentially viable units.

FY 2010-11 was the second year of operation of the company after obtaining its RBI registration. The company undertook due diligence in respect of 400 accounts and submitted bids for 201 accounts. During FY 2010-11, ISARC acquired 70 NPAs from 9 banks for an aggregate principal outstanding of ₹ 96.56 crore in both portfolio sale processes as well as bilateral sale by banks. During the year under review, it has recovered ₹ 9.83 crore from the acquired assets. It has also redeemed ₹ 7.04 crore worth of Security Receipts (SRs) issued to the investors. As of March 31, 2011, ISARC has assets under management of approx. ₹ 350 crore.

ISARC, which has already carved out a space for itself in the industry, will continue its focus on reconstruction of MSME NPAs. The company recognizes the need to scale up its business operations and increase its market share. Accordingly, it is evolving its business methodology by continuously adapting to the needs of the niche market for NPAs.



Balance Sheet &
Statement of Accounts

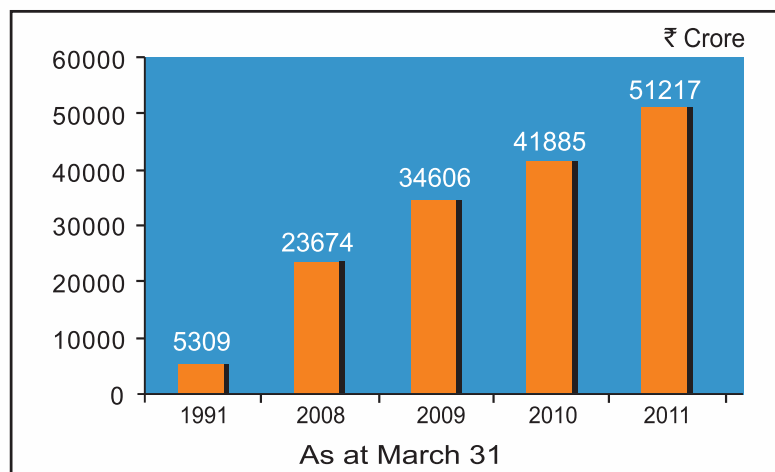
BALANCE SHEET & STATEMENT OF ACCOUNTS

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 2010-11, are given in the Appendix – I. The consolidated Balance Sheet, along with Profit and Loss Account and Cash Flow Statement of SIDBI including its subsidiaries, viz. SIDBI Venture Capital Ltd., (SVCL) and SIDBI Trustee Company Ltd., (STCL) and associates viz. SME Rating Agency of India Ltd., (SMERA), India SME Asset Reconstruction Company Limited (ISARC) and India SME Technology Services Ltd., (ISTSL) and others are given in Appendix II. The salient features of annual accounts of SIDBI for the financial year 2010-11 are discussed below :

The total assets of SIDBI as on March 31, 2011, crossed ₹ 50,000 crore mark, registering a growth of 22% as compared to the previous year (Figure 7.1). The total income of the Bank during the year was higher at ₹ 3,866.86 crore as compared to ₹ 3,206.96 crore during the previous year reflecting growth in the overall portfolio.

The total expenditure during the period was higher at ₹ 2,496.16 crore as compared to ₹ 1,674.87 crore during the previous year. However, the Profit before Tax for the year was ₹ 846.68 crore, compared to ₹ 864.94 crore in the previous year. The net profit after tax and Deferred Tax Adjustment for the year was higher at ₹ 513.84 crore as against ₹ 421.30 crore in the previous year. 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 tax, surcharge and cess payable thereon. During the year, appropriation of ₹ 1 crore was made to Staff Welfare Fund (SWF), a sum of ₹ 70 crore was transferred to Special Reserve created under Section 36(1) (viii) of IT Act, 1961, surplus ₹ 300 crore was transferred to the Reserve Fund and balance ₹ 12.09 crore was retained in Profit and Loss Account.

Figure 7.1 : Balance Sheet Size



Auditors

The accounts of the Bank for the Financial Year 2010-11 were audited by M/s A.J. Shah & Company, 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 30, 2010 for carrying out the statutory audit.

The reports of the Auditors are given on Page Nos. 82 and 114.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Report of the Auditors'

Report of the Auditors'

To the Shareholders of

The 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, 2011 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 mis-statements. 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.

We report that :-

1. 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 and the same have been satisfactory.
2. In our opinion, the Balance Sheet and Profit and Loss Account are properly drawn up in accordance with the requirements of the Regulation 14 of the Small Industries Development Bank of India General Regulations, 2000.
3. In our opinion and to the best of our information and according to the explanations given to us.
 - (i) The Balance Sheet read together with the notes thereon and Significant Accounting Policies is a full and fair Balance Sheet so as to exhibit a true and fair view of the state of affairs of the Bank as at March 31, 2011.
 - (ii) The Profit and Loss Account read together with the notes thereon and Significant Accounting Policies, shows a true balance of profit for the year ended March 31, 2011 and
 - (iii) The Cash Flow Statements gives a true and fair view of the cash flow for the year ended March 31, 2011.

Mumbai, May 02, 2011

For A.J. SHAH & Co.

Chartered Accountants

FRN. 109476W

Hiren Shah

Partner - M. No.: 100052

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

Appendix - I

Balance Sheet as at March 31, 2011

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2011	March 31, 2010
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	5868,40,45,440	5457,21,74,031
Deposits	III	14480,44,97,978	11076,95,57,212
Borrowings	IV	24788,83,56,866	19840,80,41,489
Other Liabilities and Provisions	V	5517,35,81,944	4908,53,65,997
Deferred Tax Liability		111,76,53,484	151,52,47,423
Total		51216,81,35,712	41885,03,86,152

ASSETS			
Cash and Bank Balances	VI	1617,97,14,135	1175,24,64,213
Investments	VII	2347,19,95,384	1822,06,81,513
Loans & Advances	VIII	46053,63,34,655	37902,37,29,955
Fixed Assets	IX	201,58,45,161	207,64,10,227
Other Assets	X	996,42,46,377	777,71,00,244
Total		51216,81,35,712	41885,03,86,152
Contingent Liabilities	XI	2303,29,87,514	1534,61,02,048

Significant Accounting Policies

XV

Notes to Accounts

XVI

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

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476W

V.S. Rathore
Executive Director

N. K. Maini
Deputy Managing Director

Rakesh Rewari
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Hiren Shah
Partner
M. No. 100052

Dr. Shyam Agarwal
Director

Mrs. Ravneet Kaur
Director

S. S. Chattopadhyay
Director

T. R. Bajalia
Director

M. Balachandran
Director

B. Manivannan
Director

K. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Profit & Loss Account for the year ended March 31, 2011

Profit & Loss Account for the year ended March 31, 2011**(₹)**

INCOME	SCHEDULES	March 31, 2011	March 31, 2010
Interest and Discount	XII	3707,19,39,270	2987,16,39,424
Other Income	XIII	159,66,30,825	219,79,93,868
Total		3866,85,70,095	3206,96,33,292
EXPENDITURE			
Interest & Financial charges		2224,51,05,081	1476,81,64,798
Operating Expenses	XIV	271,65,40,593	198,05,92,321
Provisions & Contingencies (Refer note no.27)		524,00,75,455	667,15,01,882
Total		3020,17,21,129	2342,02,59,002
Profit before Tax		846,68,48,967	864,93,74,290
Provision for Income Tax (Refer note no.28)		372,60,43,609	447,64,26,022
Deferred Tax Adjustment [(Asset) / Liability]		(39,75,93,939)	(4,00,00,000)
Profit after Tax		513,83,99,297	421,29,48,268
Profit brought forward		-	-
Total Profit / (Loss)		513,83,99,297	421,29,48,268
Appropriations			
Transfer to General Reserve		300,00,00,000	194,10,99,830
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		70,00,00,000	95,00,00,000
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		18,25,03,125	18,68,48,438
Surplus in Profit & Loss account carried forward		12,08,96,172	-
Total		513,83,99,297	4,212,948,268

Basic/Diluted Earning Per Share

11.42

9.36

Significant Accounting Policies

XV

Notes to Accounts

XVI

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

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476WV.S. Rathore
Executive DirectorN. K. Maini
Deputy Managing DirectorRakesh Rewari
Deputy Managing DirectorS. Muhnot
Chairman & Managing DirectorHiren Shah
Partner
M. No. 100052Dr. Shyam Agarwal
DirectorMrs. Ravneet Kaur
DirectorS. S. Chattopadhyay
DirectorT. R. Bajalia
DirectorM. Balachandran
DirectorB. Manivannan
DirectorK. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

CAPITAL AND LIABILITIES	March 31, 2011	March 31, 2010
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	4323,31,73,555	4129,20,73,725
- Additions during the year	300,00,00,000	194,10,99,830
- Utilisations during the year	-	-
- Closing Balance	4623,31,73,555	4323,31,73,555
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	887,00,00,000	792,00,00,000
- Additions during the year	70,00,00,000	95,00,00,000
- Utilisations during the year	-	-
- Closing Balance	957,00,00,000	887,00,00,000
B) Surplus in Profit and Loss account	12,08,96,172	-
C) Funds		
a) National Equity Fund		
- Opening Balance	167,44,64,973	148,10,87,203
- Additions / Write back during the year	29,77,54,522	19,33,77,770
- Utilisations during the year	-	-
- Closing Balance	197,22,19,496	167,44,64,973

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at 31 March, 2011

(₹)

b) Staff Welfare Fund	March 31, 2011	March 31, 2010
- Opening Balance	24,25,71,858	24,94,22,674
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,67,79,286	1,68,50,816
- Closing Balance	23,57,92,572	24,25,71,858
c) Others	-	-
Total	5868,40,45,440	5457,21,74,031
SCHEDULE III:		
DEPOSITS		
A) Fixed Deposits	2654,86,97,978	2220,25,20,212
B) From Banks		
a) Under MSME Refinance Fund	11325,58,00,000	7325,57,00,000
b) Under MSME Risk Capital Fund	500,00,00,000	500,00,00,000
c) Others -From Foreign & Private Sector Banks	-	1031,13,37,000
Subtotal (B)	11825,58,00,000	8856,70,37,000
Total	14480,44,97,978	11076,95,57,212
SCHEDULE IV :		
BORROWINGS		
I) Borrowings in India		
1. From Reserve Bank of India	-	-
2. From Government of India (including Bonds subscribed by Govt. of India of ₹ 2172,80,00,000)	3151,62,33,693	2786,48,74,356
3. Bonds & Debentures	6787,09,60,000	3138,93,90,000
4. From Other Sources		
- Commercial Paper	750,00,00,000	2275,00,00,000
- Certificate of Deposits	-	510,00,00,000
- Term Loans from Banks	8189,15,00,036	6681,84,51,586
- Term Money Borrowings	-	-
- Others	67,42,23,834	33,97,90,541
Subtotal (I)	18945,29,17,563	15426,25,06,483
II) Borrowings outside India		
(a) KFW, Germany	1038,51,69,238	761,20,89,566
(b) Japan International Cooperation Agency (JICA)	2796,14,40,002	2322,71,49,759
(c) IFAD, Rome	106,88,32,539	109,46,75,618
(d) World Bank	1726,08,80,551	1221,16,20,063

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at 31 March, 2011

(₹)

	March 31, 2011	March 31, 2010
(e) Others	175,91,16,973	-
Subtotal (II)	5843,54,39,303	4414,55,35,006
Total (I & II)	24788,83,56,866	19840,80,41,489
SCHEDULE V:		
Other Liabilities and Provisions :		
Interest Accrued	815,96,17,565	626,62,11,450
Others (including provisions)	3088,12,32,523	2618,95,64,812
Provisions for Exchange Rate Fluctuation	1296,85,31,336	1377,29,01,297
Contingent provisions against standard assets	185,66,97,395	154,48,40,000
Proposed Dividend (including tax on dividend)	130,75,03,125	131,18,48,438
Total	5517,35,81,944	4908,53,65,997
ASSETS	March 31, 2011	March 31, 2010
SCHEDULE VI :		
Cash & Bank Balances		
1. Cash in Hand & Balances with Reserve Bank of India	7,70,130	7,08,355
2. Balances with Other Banks	-	-
(a) In India		
i) in current accounts	432,01,78,329	50,21,61,996
ii) in other deposit accounts	172,50,00,000	156,49,00,000
(b) Outside India		
i) in current accounts	1,65,57,823	33,57,756
ii) in other deposit accounts	1011,72,07,853	968,13,36,106
Total	1617,97,14,135	1175,24,64,213
SCHEDULE VII :		
INVESTMENTS		
[net of provisions]		
A) Treasury operations		
1. Securities of Central and State Governments	112,16,48,202	46,90,42,500
2. Shares of Banks & Financial Institutions	23,95,12,137	59,17,51,270
3. Bonds & Debentures of Banks & Financial Institutions	208,39,14,000	35,67,90,441
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	251,08,38,841	323,16,44,101
5. Short Term Bills Rediscounting Scheme	75,73,12,439	58,72,78,924
6. Others	960,20,83,926	484,64,92,065
Subtotal (A)	1631,53,09,545	1008,29,99,301

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at 31 March, 2011

(₹)

	March 31, 2011	March 31, 2010
B) Business Operations		
1. Shares of Banks & Financial Institutions	59,17,51,070	26,12,88,337
2. Bonds & Debentures of Banks & Financial Institutions	50,67,78,002	249,67,21,200
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	476,59,51,171	432,99,27,679
4. Investment in Subsidiaries	1,04,98,800	1,04,98,800
5. Others	128,17,06,796	103,92,46,196
Subtotal (B)	715,66,85,839	813,76,82,212
Total (A+B)	2347,19,95,384	1822,06,81,513
SCHEDULE VIII :		
Loans & Advances [Net of Provisions]		
A) Refinance to		
- Banks and Financial Institutions	31980,79,93,696	25070,14,40,325
- Micro Finance Institutions	2782,01,20,478	3619,05,80,866
- NBFC	425,85,65,100	159,68,48,100
- Bills Rediscounted	-	-
- Others (Resource Support)	3,80,00,000	23,55,00,000
Subtotal (A)	35192,46,79,274	28872,43,69,291
B) Direct Loans		
- Loans and Advances	8177,99,32,591	6845,70,73,494
- Receivable Finance Scheme	2491,99,47,836	1914,36,83,476
- Bills Discounted	191,17,74,953	269,86,03,694
Subtotal (B)	10861,16,55,381	9029,93,60,664
Total (A+B)	46053,63,34,655	37902,37,29,955
SCHEDULE IX:		
FIXED ASSETS		
[Net of Depreciation]		
1. Premises	199,46,00,714	203,39,27,399
2. Others	2,12,44,447	4,24,82,828
Total	201,58,45,161	207,64,10,227

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at 31 March, 2011

(₹)

	March 31, 2011	March 31, 2010
SCHEDULE X :		
Other Assets:		
Accrued Interest	556,03,30,770	400,54,27,940
Advance Tax (Net of provision)	189,60,34,547	176,38,76,786
Others	132,42,21,429	96,78,81,707
Expenditure to the extent not written off	118,36,59,632	103,99,13,810
Total	996,42,46,377	777,71,00,244
SCHEDULE XI :		
CONTINGENT LIABILITIES		
i) Claims against the Bank not acknowledged as debts	75,91,58,968	124,49,90,953
ii) On account of Guarantees / Letters of Credit	123,86,74,475	186,55,60,908
iii) On account of Forward Contracts	79,70,54,071	36,95,50,187
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	2023,81,00,000	1186,60,00,000
Total	2303,29,87,514	1534,61,02,048

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Profit & Loss Account for the year ended March 31, 2011

(₹)

SCHEDULE XII :		
INTEREST AND DISCOUNT		
1. Interest and Discount on Loans, Advances and Bills	3565,86,60,496	2898,98,56,100
2. Income on Investments / Bank balances	141,32,78,774	88,17,83,324
Total	3707,19,39,270	2987,16,39,424
SCHEDULE XIII :		
Other Income :		
1. Upfront and Processing Fees	24,31,01,710	24,99,33,245
2. Commission and Brokerage	1,98,81,257	1,74,53,300
3. Profit on sale of Investments	45,09,19,114	73,92,01,212
4. Income earned by way of dividends etc. from Subsidiaries / Associates	3,75,00,000	3,00,00,000
5. Provision of Earlier Years written Back	-	8,96,24,622
6. Others (Refer note no.26)	84,52,28,744	107,17,81,489
Total	159,66,30,825	219,79,93,868
SCHEDULE XIV :		
Operating Expenses :		
Payments to and provisions for employees	150,01,24,006	106,44,78,020
Rent, Taxes and Lighting	14,39,24,455	13,20,98,881
Printing & Stationery	83,86,990	67,20,547
Advertisement and Publicity	1,42,29,011	1,79,73,641
Depreciation / Amortisation on Bank's Property	16,46,17,249	10,31,85,994
Directors' fees, allowances and expenses	39,32,257	22,71,592
Auditor's Fees	16,04,314	14,23,961
Law Charges	60,46,016	77,00,437
Postage, Courier, Telephones etc	33,18,681	40,08,624
Repairs and maintenance	6,01,65,758	5,18,58,129
Insurance	32,01,351	28,02,933
Contribution to CGTMSE	50,00,00,000	30,50,00,000
Other Expenditure	30,69,90,506	28,10,69,562
Total	271,65,40,593	198,05,92,321

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Balance Sheet as at March 31, 2011

(₹)

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.

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 applicable to the term lending and Refinancing Institutions. Interest in respect of such loan accounts and receivable / bills finance is taken credit on actual receipt basis. Interest on seed capital / soft loan assistance in respect of Standard assets are accounted for on accrual basis.
- (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 is apportioned over the period of usage 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.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

B) EXPENDITURE –

- (i) All expenditures 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 amortized over the tenure of Bonds and Commercial Paper. The expenses relating to issue of Bonds are amortized over the tenure of the Bonds.

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 i) Government Securities, ii) Other approved securities, iii) Shares, iv) Debentures & Bonds, v) Subsidiaries/ joint ventures and vi) Others (Commercial Paper, Mutual Fund Units, Certificate of Deposits etc.)

(a) Held to Maturity :

Investments acquired with the intention to hold till maturity are categorized 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 amortized over the period remaining to maturity. Diminution, 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 categorized under Held for Trading. The investments in this category are revalued as a whole and net appreciation /depreciation is recognized 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 categorized under Available for Sale. The individual scrips under this category are revalued and net depreciation under any of the classification mentioned above is recognized in the profit & loss account. Net appreciation under any classification is ignored. The book value of individual scrips is not changed.

(d) 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 Reserve Account.

- (ii) The debentures / bonds / shares deemed to be in the nature of advance, are subject to the usual prudential norms applicable to loans & advances. Investments in inter-corporate deposits are classified as Investments – Others.
- (iii) In respect of unquoted investments in industrial concerns under Seed Capital Scheme, full provision has been made.

4. FOREIGN CURRENCY TRANSACTIONS:

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.

- (i) Assets and Liabilities are translated at the closing rates notified by FEDAI at the year end.
- (ii) Income and Expenses are translated at monthly intervals through actual sale/purchase and recognized in the profit and loss account accordingly.
- (iii) Where foreign currency liabilities are not matched with foreign currency assets, the notional difference on revaluation is adjusted with the accounts maintained under the special arrangements entered with lenders/Government for managing exchange risk.
- (iv) The Bank follows hedge accounting in respect of derivative transactions as per RBI guidelines.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

5. LOANS AND ADVANCES:

- (i) 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.
- (ii) Advances stated in the Balance Sheet are net of provisions made for Non performing assets.
- (iii) General provision on Standard Assets is made as per RBI guidelines.
- (iv) 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 certain 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 under Indirect Finance.

6. 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 reflects 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.
- (iv) 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 realized.

7. 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 and further categorized as Held for Trading / Available For Sale depending upon 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.

8. SALE OF FINANCIAL ASSETS TO ARCs:

- (i) The sale of NPA's is on cash basis or investment in Security Receipt (SR) basis.
- (ii) In case of sale on SR basis, the sale consideration or part thereof is treated as investment in the form of SRs.
- (iii) If the sale at a price below the net book value (NBV) (i.e. book value less provisions held), the shortfall is debited to the Profit and loss A/c of that Financial Year.
- (iv) If the sale is for a value 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 financial assets.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

9. 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.
- (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:

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

10. FIXED ASSETS AND DEPRECIATION :

- a) Fixed Assets are shown at cost less depreciation.
- b) Depreciation for the full year is provided on :
 - Furniture and Fixture
 - i) For assets owned by Bank @ 100 percent
 - Computer and Computer Software @ 100 percent
 - Building @ 5 per cent on WDV basis
 - Electrical Installations
 - i) For assets owned by Bank @ 50 percent on WDV basis
 - Motor Car - Straight Line Method - @ 50 percent.
- c) Leasehold land is amortized over the period of lease.

11. 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 by way of Schedules to Balance Sheet.

12. GRANTS AND SUBSIDIES :

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

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

SCHEDULE XVI : NOTES TO ACCOUNTS			
1.	Bank has adopted with approval of the Board of Directors revised formats of financial statements i.e., Balance Sheet and Profit & Loss Account during the current financial year. The Revised Formats have been notified in the Gazette of India on February 25, 2011 amending Schedule I & Schedule II to the Regulation 14(i) of Small Industries Development Bank of India General Regulation, 2000. Accordingly the previous year's figures have been reclassified and regrouped to confirm with the revised format of Financial Statements.		
2.	During the current financial year, the accounting policy in respect of penal interest on loans and advances has been revised from realisation basis to accrual basis. This change has been made in line with Banking practice. Due to this change in the accounting policy, profit for the year is higher by ₹ 1,05,54,834.		
3.	'Bonds and Debentures' under Borrowings in schedule IV includes :	March 31, 2011	March 31, 2010
a)	Unsecured Bonds	6786,60,00,000	3121,60,00,000
b)	Capital Gain Bonds	49,60,000	17,33,90,000
c)	Others	-	-
	Total	6787,09,60,000	3138,93,90,000
4.	'Others' under Other Liabilities and Provisions include the following :		
a)	SIDBI Disability Assistance Fund	1,97,70,168	1,80,04,633
b)	SIDBI Voluntary Health Scheme	8,10,25,739	7,82,38,254
5.	Expenditure to the extent not written off - Other Assets ' includes the following :		
a)	Premium on transfer of RBI NIC(LTO) to GoI Bonds	71,07,97,850	77,54,15,836
b)	Discount paid in Advance - Certificate of Deposit	-	6,14,00,526
c)	Discount paid in Advance - Commercial Paper	45,86,20,365	20,30,97,448
d)	Expenditure on Issuance of Unsecured Bonds	1,42,41,417	-
6.	Interest and Financial Charges		
a)	Interest on Borrowings	1394,13,69,913	848,60,70,360
b)	Interest on Deposits	702,37,01,798	519,91,13,319
c)	Financial Charges	128,00,33,370	108,29,81,119
7.	Estimated amount of contracts remaining to be executed on Capital Account not provided for (net of advance paid)	19,98,69,076	94,46,40,767
8.	Premises include advances towards acquisition of Premises ₹ 24,24,552 (Previous Year - ₹ 89,92,453) and Capital Work in Progress ₹ 5,44,93,388 (Previous Year - ₹ 1,59,43,524).		
9.	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 ₹ 485,19,18,073 (Previous Year - ₹ 382,05,82,458) has been netted off against ERFF as permitted by the Government of India. Adjustment to the Fund Account, if necessary, will be made as and when the differences are crystallised. If the balance in the Fund is insufficient the claim will be on Government of India.		
10.	The borrowing of ₹ 566,91,55,474 (Previous Year - ₹ 610,52,44,356) 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, 2011 in ERFF maintained for this loan is ₹ 471,42,41,626 (Previous Year - ₹ 488,27,51,545).		

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

11.	Interest income in Schedule XII - 'Interest and Discount' for FY 2010-11 includes Prior Period Income nil [Previous Year - ₹ 38,65,92,962 (Net of tax - ₹ 25,52,56,024)] and Other expenditure in Schedule XIV - 'Operating Expenses' for FY 2010 - 11 includes prior period expenditure of ₹ 1,50,10,819 [Previous Year - Nil].		
12.	The Bank has partnered with ICICI Lombard General Insurance company to undertake non - life insurance business on 'Referral Basis'. The income from bancassurance business during the year is ₹ 1,16,153 (Previous Year - ₹ 4,47,464).		
13.	List of Related Parties :		
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 R. M. Malla, Chairman & Managing Director (upto July 08, 2010)		
	2. Shri Rakesh Rewari, Deputy Managing Director		
	3. Shri N.K.Maini, Deputy Managing Director (from September 01, 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, 2011 (₹)	March 31, 2010 (₹)
	1. Shri R.M. Malla, Chairman & Managing Director (upto July 08, 2010)	11,18,965	25,99,566
	2. Shri Rakesh Rewari, Deputy Managing Director	21,47,946	23,83,822
	3. Shri N.K.Maini, Deputy Managing Director (from September 01, 2010)	7,48,326	-
	4. Shri Basant Seth, Deputy Managing Director (From April 01,2009 to August 31,2009)	-	15,07,214
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, 2011 (₹)	March 31, 2010 (₹)
	Deposits accepted during the year	23,31,742	18,69,114
	Repayment during the year	18,43,000	-
	Interest recognised during the year	2,73,137	1,56,649
	Closing Balance	4,88,742	18,69,114

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

e)	Related Party	Subsidiaries		Associates		
	Particulars	SVCL	STCL	SMERA	ISARC	ISTSL
	Investment in Shares	-	-	-	-	-
	Transactions during the Year	(-)	(-)	(2,48,75,030)	(13,50,00,600)	(-)
	Outstanding at end of the year	1,00,00,000 (1,00,00,000)	5,00,000 (5,00,000)	4,97,50,000 (4,97,50,000)	15,00,00,000 (15,00,00,000)	1,00,00,000
	Income received	4,51,16,113	70,000	36,13,976	-	-
	Amount received by Bank	(3,61,64,414)	(80,000)	(34,31,863)	(75,32,635)	(-)
	Receivables at end of the year	(-)	(-)	(14,82,258)	(-)	(-)
	Reimbursement of expenses	27,62,130	-	-	38,24,402	14,48,791
	Amount claimed by Bank	(60,89,170)	(-)	(60,394)	(38,16,259)	(13,93,719)
	Receivables at end of the year	3,43,388 (13,69,617)	- (-)	3,107 (-)	21,72,363 (21,00,786)	15,07,216 (11,73,262)
	Payment of expenses	-	-	1,32,000	1,56,703	14,73,300
	Amount paid by Bank	(-)	(-)	(57,69,318)	(8,61,993)	(-)
	Fees/Commission					
	Interest	7,99,365 (-)	3,36,954 (-)	- (-)	- (-)	- (-)
	Payables at end of the year	- (-)	- (-)	(38,31,127)	(1,51,703)	(-)
	Fees/Commission					
	Interest	22,59,082 (12,67,326)	11,38,181 (11,10,416)	- (-)	5,06,097 (-)	- (-)
	Deposits	4,82,75,000	1,70,00,000	-	1,00,00,000	-
	Received during the Year	(2,75,00,000)	(2,14,46,000)	(-)	(-)	(-)
	Repaid during the year	2,75,00,000 (-)	1,65,00,000			
	Outstanding at end of the year	4,82,75,000 (2,75,00,000)	2,19,46,000 (2,14,46,000)	- (-)	1,00,00,000 (-)	- (-)
	Sale of Advances	-	-	-	-	-
	Transactions during the Year	(-)	(-)	(-)	** (28,90,35,000)	(-)
	Outstanding at end of the year	- (-)	- (-)	- (-)	- (-)	- (-)

(Figures in brackets are for previous years)
 ** includes cash of ₹ 19,57,11,750 and security receipts of ₹ 9,33,23,250.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

f)	Arrears of Incentive Payment to Former Deputy Managing Director	229,177	-
14.	Earning Per Share (EPS)* :	March 31, 2011 (₹)	March 31, 2010 (₹)
	Net Profit considered for EPS calculation	513,83,99,297	421,29,48,268
	Number of equity shares of face value ₹ 10 each	45,00,00,000	45,00,00,000
	Earning per share (₹)	11.42	9.36
	* Basic & Diluted EPS are same as there are no dilutive potential Equity Shares.		
15.	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 ₹ 39,75,93,939 as Deferred Tax Asset (Previous year - Deferred Tax Asset was ₹ 4,00,00,000) in the Profit and Loss Account for the year ended March 31, 2011. The Break up of Deferred Tax Asset/ (Liability) as on March 31, 2011 is as follows :		
		As at 31.03.2011	As at 31.03.2010
	Timing Difference	Deferred Tax Asset/ (Liability) (₹)	Deferred Tax Asset/ (Liability) (₹)
	Provision for Depreciation	(1,07,16,971)	45,00,000
	Special Reserve u/s 36(1)(viii) of the Income Tax Act 1961	(244,45,56,284)	(232,84,00,000)
	Provisions for Bad & Doubtful Debts	89,43,65,629	49,72,00,000
	Amortisation of Premium on GOI Bonds	(23,06,18,361)	(26,36,00,000)
	Provision for Restructuring of Accounts	13,68,71,530	14,44,00,000
	Others	53,70,00,973	43,06,52,577
	Net deferred tax Asset/(Liability)	(111,76,53,484)	(151,52,47,423)
16.	Contingent liabilities of ₹ 65,74,65,184 (Previous Year - ₹ 1,17,58,99,966) 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 ₹ 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.		
17.	During the year the bank has contracted 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. Accordingly the drawal effected under the above line aggregating ₹ 411.91 crore (USD 91.68 million) from GOI is recorded as rupee liability to GOI though the exchange risk on the underlying is being hedged through separate forward contracts by SIDBI. The same has been grouped under Schedule IV - 'Borrowings in India'.		
18.	The Bank, in earlier years, has created Interest Rate Differential Fund (IRDF) in respect of borrowings from KfW to cover foreign exchange fluctuation in connection with these loans. The maintenance of IRDF has been discontinued since the foreign exchange risk has been covered through long term swaps. Accordingly during the Previous financial year the excess amount of IRDF of ₹ 8,96,24,622 was written back and same is included in other income.		
19.	The Bank has pledged GoI securities & Treasury Bills held aggregating to ₹ 114,00,00,000 (book value ₹ 112,16,48,202) with Clearing Corporation of India Ltd. for Collateralised Borrowings and Lending Obligations (CBLO). Further the Bank has placed Fixed Deposit with IDBI Bank to cover its operations under Working Capital arrangement with IDBI Bank.		
20.	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 identified Direct Finance, Indirect Finance and Others as its three reporting segments. 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. Earlier the Treasury was being reported as a separate segment but during the current FY the Treasury is not being reported as a separate segment as the operations under Treasury is less than the threshold limit of 10% of total revenue, profit or loss and total assets Previous years figures have been regrouped and reclassified to confirm to the current year's methodology.		

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹)

Business Segments			
	Particulars	FY 2010-11 (₹ Crore)	FY 2009-10 (₹ Crore)
1.	Segment Revenue		
	Direct Finance	1,029	872
	Indirect Finance	2,648	2,162
	Others	189	164
	Exceptional Items*	-	9
	Total	3,866	3,207
2.	Segment Results		
	Direct Finance	378	446
	Indirect Finance	542	428
	Others	44	71
	Exceptional Items *	-	9
	Total	964	954
	Unallocable Expenses	117	89
	Operating profit	847	865
	Income Tax (Net of write back)	333	444
	Net profit	514	421
3.	Other information		
	Segment Assets		
	Direct Finance	10,961	9,066
	Indirect Finance	35,619	29,213
	Others	3,996	3,020
	Total	50,576	41,300
	Unallocated Assets	641	585
	Total	51,217	41,885
4.	Segment Liabilities		
	Direct Finance	8,824	7,083
	Indirect Finance	32,176	26,147
	Others	3,158	2,136
	Total	44,158	35,366
	Unallocated Liabilities	740	612
	Total	44,898	35,978
5.	Capital / Reserves		
	Direct Finance	2,102	1,979
	Indirect Finance	3,402	3,047
	Others	815	881
	Total	6,319	5,907
	Total Liabilities	51,217	41,885

* please refer to note 18 for details.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹ Crore)

21.	The Income Tax Department has issued refund orders dated March 29, 2011 & March 30, 2011 which were received after the end of the financial year. Hence the amount of ₹ 75,30,90,794 is shown as Receivable from Income Tax and grouped under 'Other Assets' in the Balance Sheet. The interest on refund of ₹ 14,73,48,378 is included as 'Other Income' in Profit & Loss Account.
22.	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 ₹ 989,15,00,036 as on March 31, 2011. The interest receivable on these deposits match with the interest payable on underlying liabilities.
23.	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.
24 (i)	The Bank is having defined benefit Pension Plans and Gratuity Scheme which are managed by the Trust. The disclosures under Accounting Standard 15 for Pension and Gratuity are as under:

(₹ Crore)

		Pension		Gratuity	
		FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
1.	Assumptions				
	Discount Rate - Previous	8.25%	7.50%	8.25%	7.50%
	Rate of Return on Plan Assets - Previous	8.00%	8.00%	8.00%	8.00%
	Salary Escalation - Previous	5.50%	5.00%	5.50%	5.00%
	Discount Rate - Current	8.25%	8.25%	8.25%	8.25%
	Rate of Return on Plan Assets - Current	8.00%	8.00%	8.00%	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	89.75	59.16	17.64	11.67
	Interest Cost	8.10	4.58	1.60	0.99
	Current Service Cost	8.93	2.20	2.01	1.83
	Past Service Cost (Non Vested Benefit)	0.00	0.00	0.00	0.00
	Past Service Cost (Vested Benefit)	0.00	0.00	15.16	0.00
	Liability Transferred in	0.00	0.00	0.00	0.00
	(Liability Transferred out)	0.00	0.00	0.00	0.00
	(Benefit Paid)	(0.93)	(0.64)	(0.63)	(0.63)
	Actuarial (gain) / loss on obligations	6.91	24.45	3.45	3.78
	Liability at the end of the year	112.76	89.75	39.23	17.64
3.	Tables of Fair value of Plan Assets				
	Fair Value of Plan Assets at the beginning of the year	49.79	43.70	13.86	12.90
	Expected Return on Plan Assets	4.04	3.65	1.98	1.04
	Contributions	1.19	2.25	11.16	0.38
	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)	(0.93)	(0.64)	(0.63)	(0.63)
	Actuarial gain / (loss) on Plan Assets	1.62	0.83	(0.26)	0.17
	Fair Value of Plan Assets at the end of the year	55.71	49.79	26.11	13.86
	Total Actuarial Gain / (Loss) to be recognised	(5.29)	(23.62)	(3.71)	(3.61)

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹ Crore)

		Pension		Gratuity	
		FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
4.	Recognition of Transitional Liability				
	Unrecognised Transitional Liability at the beginning of the year	-	-	-	-
	Transition Liability Recognised during the year	-	-	-	-
	Unrecognised Transition Liability at end of the year	-	-	-	-
5.	Actual Return on Plan Assets				
	Expected Return on Plan Assets	4.04	3.65	1.98	1.04
	Actuarial Gain / (Loss) on Plan Assets	1.62	0.83	(0.26)	0.17
	Actual Return on Plan Assets	5.66	4.48	1.72	1.21
6.	Amount Recognised in the Balance Sheet				
	Liability at the end of the year	112.76	(89.75)	39.23	(17.64)
	Fair Value of Plan Assets at the end of the year	55.71	49.79	26.11	13.86
	Difference	(57.05)	(39.96)	(13.12)	(3.78)
	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	(57.05)	(39.96)	(13.12)	(3.78)
7.	Expenses Recognised in the Income Statement				
	Current Service Cost	8.93	2.20	2.01	1.83
	Interest Cost	8.10	4.58	1.60	0.99
	Expected Return on Plan Assets	(4.04)	(3.65)	(1.98)	(1.04)
	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	15.16	0.00
	Recognition of Transition Liability during the year	0.00	0.00	0.00	0.00
	Actuarial (Gain) / Loss	5.29	23.62	3.71	3.61
	Expense Recognised in P&L	18.28	26.75	20.50	5.39
8.	Balance Sheet Reconciliation				
	Opening Net Liability	39.96	15.46	3.78	(1.23)
	Expense as above	18.28	26.75	20.50	5.39
	Employers Contribution	(1.19)	(2.25)	(11.16)	(0.38)
	Amount recognised in the Balance Sheet	57.05	39.96	13.12	3.78
9.	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)	7.63	7.55	1.96	2.14

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at 31 March, 2011

(₹ Crore)

		Pension		Gratuity	
		FY 2010-11	FY 2009-10	FY 2010-11	FY 2009-10
10.	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)	55.71	49.78	26.11	13.85
	Other	0.00	0.01	0.00	0.01
	Total	55.71	49.79	26.11	13.86
11.	Experience Adjustment				
	On Plan Liability (Gain)/Loss	6.91	22.24	3.45	4.03
	On Plan Asset (Loss)/Gain	1.62	0.83	(0.26)	0.17
24 (ii)	The following are the amount charged to Profit & Loss Account relating to other long term benefits plan based on the actuarial valuation provided by independent actuary.				
					(₹)Crore
Sr. No	Particulars	March 31, 2011 (₹)		March 31, 2010 (₹)	
1.	Ordinary Leave Encashment	4.71		0.00	
2.	Leave Fare Concession (LFC)	0.09		0.03	
3.	Sick Leave	1.59		0.66	
4.	Resettlement Expenses	0.00		0.00	
5.	Voluntary Health Scheme (VHS)*	0.00		2.21	
* Domiciliary claim has been assumed to go up by 2%.					
25.	Disclosures under Accounting Standard - 29 for provisions in contingencies.				
	Particulars	Wage Arrears (₹)		Other Provisions (₹)	
	Opening Balance	21,80,00,000		7,04,57,761	
	Additions:	23,85,00,000		19,50,623	
	Utilisations:	(80,00,000)		(2,28,50,623)	
	Write back	-		-	
	Closing Balance	44,85,00,000		4,95,57,761	
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 contingently liable.					

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2011

(₹ Crore)

26.	Other Income for FY2011 includes (i) ₹ 17.31 crore being the amount written back out of Swiss Agency for Development and Cooperation (SDC) corpus which is no longer required to be maintained. (ii) recoveries on account of advances written off in earlier years ₹ 39.83 crore (previous year ₹ 68.71 crore]		
27.	'Provisions and Contingencies' in Profit & Loss Account for the year ended March 31, 2011 are net off after write back of Stressed Asset provision of one of SFCs of ₹ 94.31 crore and other provisions of ₹ 5.48 crore. Provision for the year ended March 31, 2010 are net of write back of restructuring of accounts of ₹ 22.49 crore.		
28.	Provision for Income Tax includes :		
	Particulars	FY 2010-11	FY 2009-10
(i)	Current Income Tax Provision	382,65,45,558	449,00,00,000
(ii)	Short/(Excess) Income Tax Provision of Earlier Years	(10,05,01,949)	(1,35,73,978)
29.	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 ₹ 10,68,87,933 as on March 31, 2011.		
30.	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.		

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

Additional disclosures as per RBI guidelines				
A.	Capital	FY 2010-11		FY 2009-10
	a) Capital to Risk Assets Ratio [CRAR]	30.60%		30.08%
	Core CRAR	29.47%		28.98%
	Supplementary CRAR	1.13%		1.09%
	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	24,983.20		23,537.65
	Off Balance sheet	233.33		314.69
	d) The share holding pattern as on the date of the Balance sheet	No. of shares		Percentage of shareholding
	Financial Institutions	2,59,00,000		5.76
	Insurance Companies	9,64,50,000		21.43
	PSU Banks	32,76,50,000		72.81
	Total	45,00,00,000		100.00
B.	Asset quality and credit concentration	FY 2010-11		FY 2009-10
	a) Percentage of net NPAs to net loans and advances	0.28		0.18
	b) Provision Coverage Ratio for financial year 2010-11	91%		94%
	c) Amount and percentage of net NPAs to Net advances under the prescribed asset classification categories			
		FY 2010-11		FY 2009-10
	Category	Amount	Percentage	Amount Percentage
	Sub-standard assets*	119.29	0.26	67.48 0.17
	Doubtful assets	7.89	0.02	1.61 0.01
	Total	127.18	0.28	69.09 0.18
	* 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 2010-11		FY 2009-10
	Standard Assets *	367.59		626.41
	NPAs	246.48		57.33
	Investments	8.27		5.90
	Restructuring of Accounts	0.06		-.**
	Income Tax (including Deferred tax and write back of excess provision)	332.84		445.00
	* Includes general provision of ₹ 31.19 crore (previous year ₹ 30.73 crore) held in respect of Standard Assets, as per RBI guidelines.			
	** During the previous FY, net excess provisions of ₹ 22.49 crore for restructured accounts were written back.			

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

e) Movement of Non Performing Assets (NPAs)					
Particulars		FY 2010-11		FY 2009-10	
Gross NPA at the beginning of the financial year		77.10		31.73	
Add : Additions during the year		329.11		114.18	
Sub total (A)		406.21		145.91	
Less :-					
i) Upgradations		6.36		11.40	
ii) Recoveries (excluding recoveries made from upgraded accounts)		14.55		4.17	
iii) Write offs		106.25		53.24	
Sub total (B)		127.16		68.81	
Gross NPA at the close of the financial year (A - B)		279.05		77.10	
f) Movement of provisions for NPAs (excluding provisions on standard assets)					
Particulars		FY 2010-11		FY 2009-10	
Opening Balance at the beginning of the financial year		7.93		5.66	
Add: Provisions made during the year		246.48		57.33	
Less: Write-off / write-back of excess provisions		107.49		55.06	
Closing balance at the close of the financial year		146.92		7.93	
g) Movement in Net NPAs					
Particulars		FY 2010-11		FY 2009-10	
Opening Balance at the beginning of the financial year		69.09		26.07	
Add: Additions during the year		82.63		56.85	
Less: Reductions during the year		19.67		13.75	
Less: Provision for diminution of fair value of restructured accounts classified as NPA		4.87		0.08	
Closing balance at the close of the financial year		127.18		69.09	
h) Movement of Floating Provisions					
Particulars		FY 2010-11		FY 2009-10	
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 :					
S. No.	Particulars	FY 2010-11		FY 2009-10	
		As % to Total Assets	As % to Capital Funds	As % to Total Assets	As % to Capital Funds
1.	The largest single borrower	10.95	66.25	6.72	34.83
	The largest borrower group	As large borrowers are Primary lending Institutions, State Electricity Boards, etc. the concept borrower group is not applicable.			
2.	The 10 largest single borrowers	39.27	237.63	40.99	212.55
	The 10 largest borrower group	As large borrowers are Primary lending Institutions, State Electricity Boards, etc. the concept borrower group is not applicable.			

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

b) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets*:				
Name of Industry	FY 2010-11		FY 2009-10	
	Amount Outstanding	% to total loan assets	Amount Outstanding	% to total loan assets
Transport Equipment (including Auto & Auto Components)**	1,635.83	15.06	1,366.64**	15.02
Petroleum and Petroleum Products@	1,394.96	12.84	-	-
Iron & Steel	1,381.10	12.72	757.81	8.33
Electricity Generation	1,220.36	11.24	1,466.58	16.12
Textile /ReadyMade Garments & Hosiery	1,114.20	10.26	961.61	10.57
Cement#	659.43	6.07	470.88	14.48
<p>* Exposure pertains to Assistance under Direct Finance</p> <p>** In the previous year, an amount of ₹ 1366.64 crore was indicated which includes ‘Auto & Auto Components’. However, an amount of ₹ 1317 crore was also shown seperately under the head of ‘Auto & Auto Components’.</p> <p>@ Petroleum and Petroleum Products is a new industry group added during FY 2010 - 11.</p> <p># To comply with the norms, new industrial sector i.e, Cement has been added for FY 2009-10.</p>				
D. Concentration of Deposits, Advances, Exposures and NPAs				
a) Concentration of Deposits		FY 2010-11	FY 2009-10	
Total Deposits of twenty largest depositors (₹ Crore)		2,316.79	1,877.92	
Percentage of deposits of twenty largest depositors to total deposits of the bank		87.26	84.58	
b) Concentration of Advances				
Total Advances to twenty largest borrowers (₹ Crore)		27,222.59	22,943.7	
Percentage of advances to twenty largest borrowers to total advances of the bank		59.11	60.13	
c) Concentration of Exposures				
Total Exposures to twenty largest borrowers / customers (₹ Crore)		27,508.61	24,127.71	
Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers		52.52	53.93	
d) Concentration of NPAs - Total Exposure to top four NPA accounts (₹ Crore)		188.19	18.29	
e) Sector wise NPAs				
Particulars	FY 2010-11		FY 2009-10	
	Percentage of NPAs to Total Advances in that Sector			
Agriculture & allied activities	-		-	
Industry (Micro, Small, Medium and Large)	0.64		0.20	
Services	0.30		0.22	
Personal Loans	-		-	
f) Overseas Assets, NPAs and Revenue				
Particulars	FY 2010-11		FY 2009-10	
Total Assets	-		-	
Total NPAs	-		-	
Total Revenue	-		-	

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

	g) Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)	FY 2010-11		FY 2009-10		
		Name of SPV Sponsored		Name of SPV Sponsored		
		Domestic	Overseas	Domestic	Overseas	
		-	-	-	-	
E.	Investments					
a) The Investments have been classified as under, as required by RBI guidelines :						
Particulars		FY 2010-11		FY 2009-10		
i) Held to Maturity		692.07		574.43		
ii) Available for sale		1,776.83		1,278.06		
iii) Held for Trading		-		-		
iv) Others		50.00		75.00		
Total		2,518.90		1,927.49		
	b) Provisions for depreciation in Investments					
Particulars		FY 2010-11		FY 2009-10		
Opening balance as at the beginning of the financial year		164.15		162.60		
Add : Provisions made during the year		8.27		5.90		
Add : Appropriations, if any, from Investment Fluctuation Reserve account		-		-		
Less : Write off during the year		-		4.35		
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 2010-11		0.72		-		
Closing balance at the close of the financial year		171.70		164.15		
	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	276.98	276.98	-	249.98	
	Banks	1,038.92	179.95	-	-	
	Private Corporates	566.81	520.89	-	106.12	
	Subsidiaries/Joint ventures	1.05	1.05	-	1.05	
	Others	318.48	318.48	-	102.00	
	Sub-Total	2,406.73	1,297.35	-	459.15	
	Provision held towards depreciation	170.50	-	-	-	
	Total	2,236.23	1,297.35	-	459.15	

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at 31 March, 2011

(₹ Crore)

d) Non-performing Investments :							
Particulars				FY 2010-11		FY 2009-10	
Opening balance as at the beginning of the financial year				2.41		2.11	
Additions during the year since 1st April*				121.85		0.75	
Reductions during the above period				-		0.45	
Closing balance at the close of the financial year				124.26		2.41	
Total Provisions held				112.57		2.41	
* includes reclassification of nine SFCs (amounting to ₹ 108.35 crore) as NPI in view of RBI circular dated February 01, 2011. However , full provision has been made against these investments.							
e) Sale & transfers of securities to /from HTM category :							
The bank shifted Government Security purchased during the year from AFS to HTM category having an aggregate book value ₹ 92.24 cr on the date of shifting and a provision of ₹ 0.72 cr. was made in the books. The market value of the same as on the date of Balance Sheet was ₹ 92.53 cr.							
F) Re-structured Accounts							
Particulars		FY 2010-11			FY 2009-10		
		CDR Mechanism	SME Debt Restructuring	Others	CDR Mechanism	SME Debt Restructuring	Others
Standard Advances restructued							
No. of borrowers		Nil	Nil	79	2	Nil	145
Amount outstanding		-	-	240.02	3.53	Nil	208.62
Sacrifice (diminution in the fair value)		-	-	12	0.18	-	10.33
Sub-Standard Advances restructured							
No. of borrowers		Nil	Nil	3	Nil	Nil	2
Amount outstanding		-	-	31.39	-	-	1.53
Sacrifice (diminution in the fair value)		-	-	1.57	-	-	0.08
Doubtful Advances restructured							
No. of borrowers		Nil	Nil	Nil	Nil	Nil	Nil
Amount outstanding		-	-	-	-	-	-
Sacrifice (diminution in the fair value)		-	-	-	-	-	-
Total							
No of borrowers		Nil	Nil	82	2	Nil	147
Amount outstanding		-	-	271.41	3.53	-	210.15
Sacrifice (diminution in the fair value)		-	-	13.57	0.18	-	10.41
G) a) Assets sold to Securitisation Company / Reconstruction Company							
Particulars				FY 2010-11		FY 2009-10	
Number of Accounts				Nil		170*	
Aggregate Value (net of provisions) of Accounts sold to SC / RC				-		0.55	
Aggregate Consideration				-		29.37	
Additional Consideration realised in respect of accounts transferred in earlier years				-		-	
Aggregate Gain / Loss over net Book Value				-		20.59	
* Includes one account sold in financial year 08-09, accounted in previous financial year.							

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

b) Corporate Debt Restructuring							
Particulars		FY 2010-11			FY 2009-10		
Total Amount of Loan Assets subjected to Restructuring under CDR		-			3.53*		
The Amount of Standard Assets Subject to CDR		-			3.53		
The Amount of Sub-Standard Assets subject to CDR		-			-		
2 cases having aggregate outstanding of ₹ 56.12 crore have been admitted / provisionally approved under CDR. *During the previous FY, an amount of ₹ 3.81 crore was reported, which was restructured amount instead of outstanding balance of ₹ 3.53 crore.							
H) Liquidity							
Maturity pattern of rupee and foreign currency assets and liabilities							
Items	Less than or equal to 1 year	More than 1 year & upto 3 years	More than 3 year & upto 5 years	More than 5 year & upto 7 years	More than seven years	Total	
Rupee assets	28,333	19,385	3,358	1,294	2,599	54,969	
Foreign currency assets (Rupee Equivalent)							
Dollar	172	339	736	118	810	2,175	
Euro	67	312	398	251	333	1,361	
Yen	14	1,061	116	115	342	1,648	
Total Assets	28,586	21,097	4,608	1,778	4,084	60,153	
Items	Less than or equal to 1 year	More than 1 year & upto 3 years	More than 3 year & upto 5 years	More than 5 year & upto 7 years	More than seven years	Total	
Rupee liabilities	15,125	19,362	5,862	2,300	14,861	57,510	
Foreign currency liabilities (Rupee Equivalent)							
Dollar	77	140	542	137	1,093	1,989	
Euro	62	259	276	275	416	1,288	
Yen	14	87	316	314	932	1,663	
Total Liabilities	15,278	19,848	6,996	3,026	17,302	62,450	
I) Operating results							
Particulars			FY 2010-11		FY 2009-10		
a) Interest income as a percentage to average working funds			7.97		8.35		
b) Non-interest income as a percentage to average working funds			0.25		0.41		
c) Operating profit as a percentage to average working funds (before provisions)			2.91		4.19		
d) Return on average assets (before provisions for taxation)			1.80		2.36		
e) Net Profit per employee (₹ crore)			0.50		0.41		

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

J) Forward Rate Agreements & Interest Rate Swaps					
	Particulars	FY 2010-11		FY 2009-10	
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)	Concentration of credit risk arising from swaps	-		-	
ix)	Fair value of swaps book (₹ Crore)	-		-	
K) Details in respect of Interest Rate Derivatives :					
	Particulars	FY 2010-11		FY 2009-10	
	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) Securities sold under Repos and Securities purchased under Reverse Repos					
	Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2011
	Securities sold under repos	-	-	-	-
	Securities purchased under repos	-	-	-	-
M) 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.					

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2011

(₹ Crore)

b. Quantitative Disclosures				
Particulars	FY 2010-11		FY 2009-10	
	Currency Derivatives	Interest rate Derivatives	Currency Derivatives	Interest rate Derivatives
1. Derivatives (Notional Principal Amount)				
(i) For hedging	2,023.81	-	1,186.60	-
(ii) For trading	-	-	-	-
2. Marked to Market Positions [1]				
(i) Asset (+)	60.40	-	-	-
(ii) Liability (-)	-	-	(83.00)	-
3. Credit Exposure [2]	163.71	-	68.00	-
4. Likely impact of one percentage change in interest rate (100* PV01)				
(i) On hedging derivatives	88.43#	-	0.26	-
(ii) On trading derivatives	-	-	-	-
5. Maximum and Minimum of 100*PV01 observed during the year				
(i) On hedging	95.80 / 67.52#	-	0.17/0.33	-
(ii) On trading	-	-	-	-
# Indicates 100*PV01 as per RBI guidelines as against PV01 position erroneously indicated in the previous year.				

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476W

V.S. Rathore
Executive Director

N. K. Maini
Deputy Managing Director

Rakesh Rewari
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Hiren Shah
Partner
M. No. 100052

Dr. Shyam Agarwal
Director

Mrs. Ravneet Kaur
Director

S. S. Chattopadhyay
Director

T. R. Bajalia
Director

M. Balachandran
Director

B. Manivannan
Director

K. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Cash Flow Statement for the year ended March 31, 2011

Cash Flow Statement for the year ended March 31, 2011

March 31, 2010 (₹)	Particulars	March 31, 2011 (₹)	March 31, 2011 (₹)
	1. Cash Flow from Operating Activities		
864,93,74,290	Net Profit before tax as per P & L Account		846,68,48,967
	Adjustments for :		
10,31,85,994	Depreciation	16,46,17,249	
(8,96,24,622)	Write back out of IRDF	-	
5,90,17,577	Provision for net depreciation in investments	9,56,59,819	
661,24,84,305	Provisions made	515,14,15,636	
(73,92,01,212)	Profit on sale of Investment (net)	(45,09,19,114)	
(17,19,55,950)	Dividend Received on Investments	(12,21,81,150)	
-	Provisions written back	-	483,85,92,440
1442,32,80,382			1330,54,41,406
	Cash generated from operations		
	(Prior to changes in operating Assets and Liabilities)		
	Adjustments for net changes in :		
120,31,71,565	Current assets	(205,49,88,373)	
461,00,69,422	Current liabilities	230,11,13,302	
(465,43,43,354)	Bills of Exchange	(498,94,35,619)	
(6384,94,22,518)	Loans & Advances	(7761,53,21,341)	
1700,44,08,361	Net Proceeds of Bonds and Debentures & other borrowings	4948,03,15,377	
4149,90,01,382	Deposits received	3403,49,40,767	
-	Repayment of Long Term borrowings	-	
(418,71,15,142)			115,66,24,113
1023,61,65,240			1446,20,65,519
(450,76,12,120)	Payment of Income Tax	(387,14,29,278)	(387,14,29,278)
572,85,53,120	Net Cash flow from operating Activities		1059,06,36,241
	2- Cash flow from Investing Activities		
(46,327,453)	Net (Purchase)/Sale of fixed assets	(10,40,52,182)	
(1,540,159,985)	Net (Purchase)/Sale/Redemption of Investments	(487,58,94,757)	
171,955,950	Dividend Received on Investments	12,21,81,150	
(1,414,531,488)	Net cash used in Investing Activities		(485,77,65,789)

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Cash Flow Statement for the year ended March 31, 2011

March 31, 2010 (₹)	Particulars	March 31, 2011 (₹)	March 31, 2011 (₹)
	3- Cash flow from Financing Activities		
(784,618,056)	Dividend on Equity Shares & tax on Dividend	(130,56,20,530)	
(784,618,056)	Net cash used in Financing Activities		(130,56,20,530)
3,529,403,576	4- Net increase / (decrease) in cash and cash equivalent		442,72,49,922
8,223,060,637	5- Cash and cash Equivalents at the beginning of the period		1175,24,64,213
11,752,464,213	6- Cash and Cash Equivalents at the end of the period		1617,97,14,135
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		

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476W

V.S. Rathore
Executive Director

N. K. Maini
Deputy Managing Director

Rakesh Rewari
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Hiren Shah
Partner
M. No. 100052

Dr. Shyam Agarwal
Director

Mrs. Ravneet Kaur
Director

S. S. Chattopadhyay
Director

T. R. Bajalia
Director

M. Balachandran
Director

B. Manivannan
Director

K. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Report of the Auditors'

Report of the Auditors'

**To the Board of Directors of
the Small Industries Development Bank of India**

We report that the Consolidated Financial Statements have been prepared by the Small Industries Development Bank of India ('Bank') 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 and Associates included in the consolidated financial statements.

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 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 mis-statements. 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.

We did not audit the financial statements of the subsidiaries, viz. SIDBI Trustee Company Ltd. and SIDBI Venture Capital Ltd. The audited accounts of these subsidiaries are consolidated and their financial statements reflect total assets of ₹ 28,16,87,559/- as at 31st March, 2011, the total revenue of ₹ 12,19,85,666/- and net cash flows amounting to ₹ 71,12,27,492/- for the year ended March 31, 2011. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

On the basis of the information and explanations given to us and on the consideration of the financial statements of Bank audited by us and separate audited financial statements of SIDBI Trustee Company Ltd. and SIDBI Venture Capital Ltd., its aforesaid subsidiaries, and its associates we are of the opinion that :

- a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Small Industries Development Bank of India, its subsidiaries and its associate as at March 31, 2011.
- b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Small Industries Development Bank of India, its subsidiaries and its associates for the year ended on March 31, 2011. and
- c) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flow for the year covered by the statement of Small Industries Development Bank of India & its subsidiaries.

Mumbai, May 02, 2011

For A.J. SHAH & Co.
Chartered Accountants
FRN. 109476W
Hiren Shah
Partner - M. No.: 100052

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Balance Sheet as at March 31, 2011

Appendix - II

Consolidated Balance Sheet as at March 31, 2011

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2011	March 31, 2010
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	5905,07,72,514	5492,29,63,344
Deposits	III	14473,42,76,978	11072,06,11,211
Borrowings	IV	24788,83,56,866	19840,80,41,490
Other Liabilities and Provisions	V	5517,94,59,906	4909,24,75,367
Deferred Tax Liability		111,70,22,805	151,52,47,423
Total		51246,98,89,069	41915,93,38,835

ASSETS		March 31, 2011	March 31, 2010
Cash and Bank Balances	VI	1626,13,79,219	1184,82,91,805
Investments	VII	2367,61,22,834	1842,12,45,347
Loans & Advances	VIII	46053,63,34,654	37902,37,29,955
Fixed Assets	IX	201,66,25,305	207,74,17,315
Other Assets	X	997,94,27,057	778,86,54,413
Total		51246,98,89,069	41915,93,38,835
Contingent Liabilities	XI	2303,54,87,514	1534,61,02,048

Significant Accounting Policies and Notes to Accounts (Annexure I)

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

As per our report of even date

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476WV.S. Rathore
Executive DirectorN. K. Maini
Deputy Managing DirectorRakesh Rewari
Deputy Managing Director

BY ORDER OF THE BOARD

S. Muhnot
Chairman & Managing DirectorHiren Shah
Partner
M. No. 100052Dr. Shyam Agarwal
DirectorMrs. Ravneet Kaur
DirectorS. S. Chattopadhyay
DirectorT. R. Bajalia
DirectorM. Balachandran
DirectorB. Manivannan
DirectorK. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Profit and Loss Account for the year ended March 31, 2011

Consolidated Profit and Loss Account for the year ended March 31, 2011

(₹)

INCOME	SCHEDULES	March 31, 2011	March 31, 2010
Interest and Discount	XII	3707,75,61,933	2987,91,39,290
Other Income	XIII	166,28,98,865	228,68,37,811
Total		3874,04,60,798	3216,59,77,101
EXPENDITURE			
Interest & Financial charges		2224,01,96,231	1476,57,87,056
Operating Expenses	XIV	274,87,28,865	201,60,18,140
Provisions & Contingencies (Refer note no.27 of stand alone Financial Statement)		524,00,75,455	667,15,01,882
Total		3022,90,00,551	2345,33,07,078
Profit before Tax		851,14,60,247	871,26,70,023
Provision for Income Tax		375,23,06,605	450,77,10,506
Deferred Tax Adjustment [(Asset) / Liability]		(39,78,48,090)	(4,01,18,801)
Share of earning (loss) in associates		2,10,19,045	91,33,986
Profit after tax		517,80,20,777	425,42,12,304
Profit brought forward		-	8,04,38,773
Total Profit / (Loss)		517,80,20,777	433,46,51,077
Appropriations			
Transfer to General Reserve		300,51,00,000	205,65,74,350
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		70,00,00,000	95,00,00,000
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		18,87,31,415	19,30,76,727
Surplus in Profit & Loss account carried forward		14,91,89,362	-
Total		517,80,20,777	433,46,51,077

Basic/Diluted Earning Per Share

11.51

9.45

Significant Accounting Policies and Notes to Accounts (Annexure I)

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

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476WV.S. Rathore
Executive DirectorN. K. Maini
Deputy Managing DirectorRakesh Rewari
Deputy Managing DirectorS. Muhnot
Chairman & Managing
DirectorHiren Shah
Partner
M. No. 100052Dr. Shyam Agarwal
DirectorMrs. Ravneet Kaur
DirectorS. S. Chattopadhyay
DirectorT. R. Bajalia
DirectorM. Balachandran
DirectorB. Manivannan
DirectorK. Sitaramam
Director

Lucknow, May 02, 2011

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Consolidated Balance Sheet as at March 31, 2011

(₹)

CAPITAL AND LIABILITIES	March 31, 2011	March 31, 2010
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	4358,39,62,868	4152,85,81,603
- Additions during the year	298,76,44,572	205,53,81,265
- Utilisations during the year	-	-
- Closing Balance	4657,16,07,440	4358,39,62,868
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	887,00,00,000	792,00,00,000
- Additions during the year	70,00,00,000	95,00,00,000
- Utilisations during the year	-	-
- Closing Balance	957,00,00,000	887,00,00,000
B) Surplus in Profit and Loss account	14,91,89,362	-
C) Funds		
a) National Equity Fund		
- Opening Balance	167,44,64,973	148,10,87,203
- Additions / Write back during the year	29,77,54,522	19,33,77,770
- Utilisations during the year	-	-
- Closing Balance	197,22,19,495	167,44,64,973

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2011

(₹)

b) Staff Welfare Fund	March 31, 2011	March 31, 2010
- Opening Balance	24,25,71,858	24,94,22,674
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,67,79,286	1,68,50,816
- Closing Balance	23,57,92,572	24,25,71,858
c) Others	-	-
Total	5905,07,72,514	5492,29,63,344
SCHEDULE III:		
DEPOSITS		
A) Fixed Deposits	2647,84,76,978	2215,35,74,211
B) From Banks		
a) Under MSME Refinance Fund	11325,58,00,000	7325,57,00,000
b) Under MSME Risk Capital Fund	500,00,00,000	500,00,00,000
c) Others -From Foreign & Private Sector Banks	-	1031,13,37,000
Subtotal (B)	11825,58,00,000	8856,70,37,000
Total	14473,42,76,978	11072,06,11,211
SCHEDULE IV:		
BORROWINGS		
I) Borrowings in India		
1. From Reserve Bank of India	-	-
2. From Government of India (including Bonds subscribed by GOI of ₹ 21,72,80,00,000)	3151,62,33,693	2786,48,74,356
3. Bonds & Debentures	6787,09,60,000	3138,93,90,000
4. From Other Sources		
- Commercial Paper	750,00,00,000	2275,00,00,000
- Certificate of Deposits	-	510,00,00,000
- Term Loans from Banks	8189,15,00,036	6681,84,51,586
- Term Money Borrowings	-	-
- Others	67,42,23,834	33,97,90,542
Subtotal (I)	18945,29,17,563	15426,25,06,484
II) Borrowings outside India		
(a) KFW	1038,51,69,238	761,20,89,566
(b) Japan International Cooperation Agency (JICA)	2796,14,40,002	2322,71,49,759
(c) IFAD, Rome	106,88,32,539	109,46,75,618
(d) World Bank	1726,08,80,551	1221,16,20,063
(e) Others	175,91,16,973	-
Subtotal (II)	5843,54,39,303	4414,55,35,006
Total (I & II)	24788,83,56,866	19840,80,41,490

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Consolidated Balance Sheet as at March 31, 2011

(₹)

SCHEDULE V:	March 31, 2011	March 31, 2010
Other Liabilities and Provisions:		
Interest Accrued	815,62,20,301	626,40,90,591
Others (including provisions)	3088,42,79,459	2619,25,66,752
Provisions for Exchange Rate Fluctuation	1296,85,31,336	1377,29,01,297
Contingent provisions against standard assets	185,66,97,395	154,48,40,000
Proposed Dividend (including tax on dividend)	131,37,31,415	131,80,76,727
Total	5517,94,59,906	4909,24,75,367
ASSETS	March 31, 2011	March 31, 2010
SCHEDULE VI :		
Cash & Bank Balances		
1. Cash in Hand & Balances with Reserve Bank of India	7,79,625	7,12,554
2. Balances with Other Banks	-	-
(a) In India		
i) in current accounts	432,02,63,918	50,23,96,389
ii) in other deposit accounts	180,65,70,000	166,04,89,000
(b) Outside India		
i) in current accounts	1,65,57,823	33,57,756
ii) in other deposit accounts	1011,72,07,853	968,13,36,106
Total	1626,13,79,219	1184,82,91,805
SCHEDULE VII :		
INVESTMENTS		
[net of provisions]		
A) Treasury operations		
1. Securities of Central and State Governments	112,16,48,202	46,90,42,500
2. Shares of Banks & Financial Institutions	23,95,12,137	59,17,51,270
3. Bonds & Debentures of Banks & Financial Institutions	208,39,14,000	35,67,90,441
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	251,08,38,841	323,16,44,101
5. Short Term Bills Rediscounting Scheme	75,73,12,439	58,72,78,924
6. Others	960,20,83,926	484,64,92,065
Subtotal (A)	1631,53,09,545	1008,29,99,301
B) Business Operations		
1. Shares of Banks & Financial Institutions	59,17,51,070	37,13,88,337
2. Bonds & Debentures of Banks & Financial Institutions	50,67,78,002	249,67,21,200
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	476,59,51,171	432,99,27,679
4. Investment in Subsidiaries		
5. Others	149,63,33,046	114,02,08,830
Subtotal (B)	736,08,13,289	833,82,46,046
Total (A+B)	2367,61,22,834	1842,12,45,347

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2011

(₹)

SCHEDULE VIII:	March 31, 2011	March 31, 2010
Loans & Advances		
[Net of Provisions]		
A) Refinance to		
- Banks and Financial Institutions	31980,79,93,696	25070,14,40,325
- Micro Finance Institutions	2782,01,20,478	3619,05,80,866
- NBFCs	425,85,65,100	159,68,48,100
- Bills Rediscounted	-	-
- Others (Resource Support)	3,80,00,000	23,55,00,000
Subtotal (A)	35192,46,79,274	28872,43,69,291
B) Direct Loans		
- Loans and Advances	8177,99,32,591	6845,70,73,494
- Receivable Finance Scheme	2491,99,47,836	1914,36,83,476
- Bills Discounted	191,17,74,953	269,86,03,694
Subtotal (B)	10861,16,55,380	9029,93,60,664
Total (A+B)	46053,63,34,654	37902,37,29,955
SCHEDULE IX:		
FIXED ASSETS		
[Net of Depreciation]		
1. Premises	199,46,00,714	203,39,27,399
2. Others	2,20,24,591	4,34,89,916
Total	201,66,25,305	207,74,17,315
SCHEDULE X :		
Other Assets:		
Accrued Interest	556,35,18,079	4,00,80,11,711
Advance Tax (Net of provision)	190,03,19,286	176,77,05,361
Others	133,19,30,060	97,30,23,531
Expenditure to the extent not written off	118,36,59,632	103,99,13,810
Total	997,94,27,057	778,86,54,413
SCHEDULE XI:	March 31, 2011	March 31, 2010
CONTINGENT LIABILITIES		
i) Claims against the Bank not acknowledged as debts	76,16,58,968	124,49,90,953
ii) On account of Guarantees / Letters of Credit	123,86,74,475	186,55,60,908
iii) On account of Forward Contracts	79,70,54,071	36,95,50,187
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	2023,81,00,000	1186,60,00,000
Total	2303,54,87,514	1534,61,02,048

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Schedules to Consolidated Profit & Loss Account for the year ended March 31, 2011

(₹)

SCHEDULE XII :		
Interest and Discount		
1. Interest and Discount on Loans, Advances and Bills	3565,86,60,496	2898,98,56,100
2. Income on Investments / Bank balances	141,89,01,437	88,92,83,190
Total	3707,75,61,933	2987,91,39,290
SCHEDULE XIII:		
Other Income:		
1. Upfront and Processing Fees	35,38,89,738	37,47,15,333
2. Commission and Brokerage	1,98,81,257	1,74,53,300
3. Profit on sale of Investments	45,09,19,114	73,92,01,212
4. Income earned by way of dividends etc. from Subsidiaries / Associates	-	-
5. Provision of Earlier Years written Back	-	8,96,24,622
6. Others (Refer note no.26 Stand alone financial Statments)	83,82,08,756	106,58,43,344
Total	166,28,98,865	228,68,37,811
SCHEDULE XIV :		
Operating Expenses :		
Payments to and provisions for employees	152,06,42,385	108,43,51,548
Rent, Taxes and Lighting	14,50,47,560	13,81,92,984
Printing & Stationery	86,04,546	70,36,339
Advertisement and Publicity	1,54,84,161	1,94,31,313
Depreciation / Amortisation on Bank's Property	16,49,25,167	10,36,16,636
Directors' fees, allowances and expenses	43,67,257	25,96,592
Auditor's Fees	17,39,314	14,91,961
Law Charges	73,45,136	89,54,863
Postage, Courier, Telephones etc	37,41,126	46,00,409
Repairs and maintenance	6,02,41,161	5,18,58,129
Insurance	33,74,738	28,30,751
Contribution to CGTMSE	50,00,00,000	30,50,00,000
Other Expenditure	31,32,16,314	28,60,56,615
Total	274,87,28,865	201,60,18,140

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2011

(₹)

Additional Notes to Consolidated Accounts						
Annexure - I - Significant Accounting Policies						
1- Bank has adopted with approval of the Board of Directors revised formats of financial statements i.e., Balance Sheet and Profit & Loss Account during the current financial year. The Revised Formats have been notified in the Gazette of India on February 25, 2011 amending Schedule I & Schedule II to the Regulation 14(i) of Small Industries Development Bank of India General Regulation, 2000. Accordingly the previous year's figures have been reclassified and regrouped to conform to the revised format of Financial Statements.						
2- 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.						
3- 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".						
4- 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%	5,08,65,908		
2.	SIDBI Trustee Company Ltd.	India	100%	52,36,527		
	Total			5,61,02,435		
Financial Statements of the Subsidiaries are audited.						
5.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	33.45	Credit Rating Agency for SME's	4,97,50,000	68,73,908	(2,58,25,215)
2	ISTSL	22.73	Technology Support to SME's	99,96,800	4,31,437	12,86,336
3	ISARC	26.00 **	Asset Reconstruction Company	2,60,00,000	60,69,509	36,41,718
4	AFC	24.14	State Financial Corporation	2,22,08,750	48,39,659	(17,08,545)
5	DFC	24.09	State Financial Corporation	3,13,87,500	28,04,532	10,61,14,111
Total				13,93,43,050	2,10,19,045	8,35,08,405
* Included in Reserve Fund of ₹ 4657,16,07,440 (₹ 4358,39,62,868) in Item 2(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	(18,84,88,500.00)	
2.	GSFC	28.41	State Financial Corporation	12,66,00,000	(12,66,00,000.00)	
3.	JKSFC	32.39	State Financial Corporation	10,46,20,000	(10,46,20,000.00)	
4.	MSFC	39.99	State Financial Corporation	12,52,41,750	(12,52,41,750.00)	
5.	PFC	25.92	State Financial Corporation	5,23,51,850	(5,23,51,850.00)	
6.	UPSFC	24.18	State Financial Corporation	21,67,59,000	(21,67,59,000.00)	
7.	RFC	29.05	State Financial Corporation	15,99,10,000	(15,99,10,000.00)	
	Total			97,39,71,100	(97,39,71,100.00)	
Financial statements of the associates other than State Financial Corporations’s (SFC) are unaudited for the year ended March 31,2011.						
The figures for SFC’s other than JKSFC , MSFC and UPSFC are based on audited results for the year ended March 31,2010.						
UPSFC- Audited results for the year ended March 31,2009.						
JKSFC & MSFC- Provisional results for the year ended March 31,2010.						

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Balance Sheet as at March 31, 2011

(₹)

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	41.29	Technical Consultancy Organisation	5,470,975
2.	J & K Industrial and Technical Consultancy Organisation Ltd.	48.65	Technical Consultancy Organisation	1
3.	KITCO	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.	46.37	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	4,86,783
	Total			1,00,00,003
6.	Details of significant transactions with associates are as under :			
Sr. No.	Name of the Associate	Particulars	Disbursements	Repayments
1.	DFC	Refinance assistance	20,00,00,000	13,48,56,220
2.	RFC	Refinance assistance	86,00,00,000	70,11,51,000
3.	UPSFC	Refinance assistance	-	10,00,000
4.	PFC	Refinance assistance	-	1,00,00,000

7. As against depreciation policy of SIDBI whereby assets are depreciated on SLM / WDV at pre-determined rates, the subsidiaries and associates claim depreciation on WDV basis as per Schedule XIV of the Companies Act, 1956. Thus out of the total depreciation of ₹16,49,25,167/- (₹10,36,16,636/-) included in Consolidated Financial Statements, 0.19% (0.42%) of the amount is determined based on Depreciation provided as per the Companies Act, 1956.

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

9. Aggregate remuneration paid to whole time director of SVCL is ₹ 14,07,810/- (Previous Year ₹ 12,55,279/-)

10. Earning Per Share (EPS)

	March 31, 2011 (₹)	March 31, 2010 (₹)
Net Profit considered for EPS calculation	517,80,20,777	425,42,12,304
Number of equity shares of face value ₹ 10 each	45,00,00,000	45,00,00,000
Earning per share	11.51	9.45

11. Contingent Liabilities

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

12. 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 Statements 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 31,2011

Consolidated Cash Flow Statement for the year ended March 31,2011

(₹)

March 31, 2010	Particulars	March 31, 2011	March 31, 2011
	1. Cash Flow from Operating Activities		
871,26,70,023	Net Profit before tax as per P & L Account		851,14,60,247
	Adjustments for :		
10,38,88,321	Depreciation	16,49,25,167	
(98,77,608)	Interest earned on FD with scheduled banks	(1,05,31,513)	
(8,96,24,622)	Write back out of IRDF	-	
5,90,17,577	Provision for net depreciation in investments	9,56,59,819	
661,24,84,305	Provisions	515,16,47,298	
(73,92,01,212)	Profit on sale of Investment (net)	(45,09,19,114)	
-	Provisions written back	1100192	
(17,19,55,950)	Dividend Received on Investments	(12,21,81,150)	482,97,00,698
1447,74,00,834	Cash generated from operations		1334,11,60,945
	(Prior to changes in operating Assets and Liabilities)		
	Adjustments for net changes in :		
120,50,21,414	Current assets	(205,76,23,652)	
461,14,04,008	Current liabilities	229,99,00,406	
(465,43,43,354)	Bills of Exchange	(498,94,35,619)	
(6384,94,22,518)	Loans & Advances	(7761,53,21,341)	
1700,44,08,361	Net Proceeds of Bonds and Debentures & other borrowings	4948,03,15,377	
4145,00,55,382	Deposits received	3401,36,65,767	
(423,28,76,707)			113,15,00,937
1024,45,24,127			14472,66,61,883
(454,01,32,086)	Payment of Income Tax		(389,98,10,014)
570,43,92,041	Net Cash flow from operating Activities		1057,28,51,869
	2. Cash flow from Investing Activities		
(461,29,929)	Net (Purchase)/Sale of fixed assets	(10,41,33,156)	
(163,91,74,985)	Net (Purchase)/Sale/Redemption of Investments	(487,58,94,757)	
18,06,59,573	Dividend/Interest Received on Investments	13,21,12,278	
(150,46,45,341)	Net cash used in Investing Activities		(484,79,15,635)

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA
Consolidated Cash Flow Statement for the year ended March 31, 2011

(₹)

March 31, 2010	Particulars	March 31, 2011	March 31, 2011
	3. Cashflow from Financing Activities		
(78,97,16,557)	Dividend on Equity Shares & tax on Dividend	131,18,48,820	
(78,97,16,557)	Net cash used in Financing Activities		(131,18,48,820)
341,00,30,143	4. Net increase / (decrease) in cash and cash equivalent		441,30,87,414
843,82,61,662	5. Cash and cash Equivalents at the beginning of the period		1184,82,91,805
1184,82,91,805	6. Cash and Cash Equivalents at the end of the period		1626,13,79,219
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)			

As per our report of even date

BY ORDER OF THE BOARD

For A.J. Shah & Co.
Chartered Accountants
FRN. 109476W

V.S. Rathore
Executive Director

N. K. Maini
Deputy Managing Director

Rakesh Rewari
Deputy Managing Director

S. Muhnot
Chairman & Managing Director

Hiren Shah
Partner
M. No. 100052

Dr. Shyam Agarwal
Director

Mrs. Ravneet Kaur
Director

S. S. Chattopadhyay
Director

T. R. Bajalia
Director

M. Balachandran
Director

B. Manivannan
Director

K. Sitaramam
Director

Lucknow, May 02, 2011

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

Eastern Zone Branches

Kolkata-Micro Fin. Br.	Kolkata	Patna
Gangtok	Jamshedpur	Rourkela
Bhubaneswar	Ranchi	Dhanbad
Bhubaneswar-Micro Fin. Br.	Durgapur	Kharagpur

Northern Zone Branches

New Delhi	Chandigarh	Shimla
Noida	Baddi	Faridabad
Jammu	Okhla	Gurgaon
Jaipur	Alwar	Jalandhar
Kundli	Ludhiana	Jodhpur
Janakpuri	Udaipur	Kishangarh
Greater Noida	Ghaziabad	

Southern Zone Branches

Chennai	Kochi	Erode
Bengaluru	Puducherry	Trichy
Hyderabad	Ambattur	Hubli
Visakhapatnam	Hosur	Kozhikode
Tirupur	Vijayawada	Balanagar
Coimbatore	Belgaum	Bellary
Mangalore	Nellore	Peenya
Hyderabad-Micro Fin. Br.	Rajamundry	Madurai
Bengaluru-Micro Fin. Br.	Chennai-Micro Fin.Br	Mysore

Western Zone Branches

Nariman Point	Panaji	Aurangabad
Bandra-Kurla Complex	Ahmedabad	Nashik
Andheri	Chinchwad	Rajkot
Thane	Kolhapur	Gandhidham
Pune	Baroda	Vapi
Nagpur	Surat	Jamnagar
Ankleshwar	Ahmednagar	Waluj
Vatva		

Central Zone Branches

Kanpur	Varanasi	Agra
Lucknow-Micro Fin. Br.	Lucknow	Bareilly
Dehradun	Roorkee	Indore
Bhopal	Bilaspur	Raipur
Rudrapur	Aligarh	

North-Eastern Zone Branches

Agartala	Guwahati	Itanagar
Aizwal	Imphal	Shillong
Guwahati-Micro Fin. Br.	Dimapur	



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