



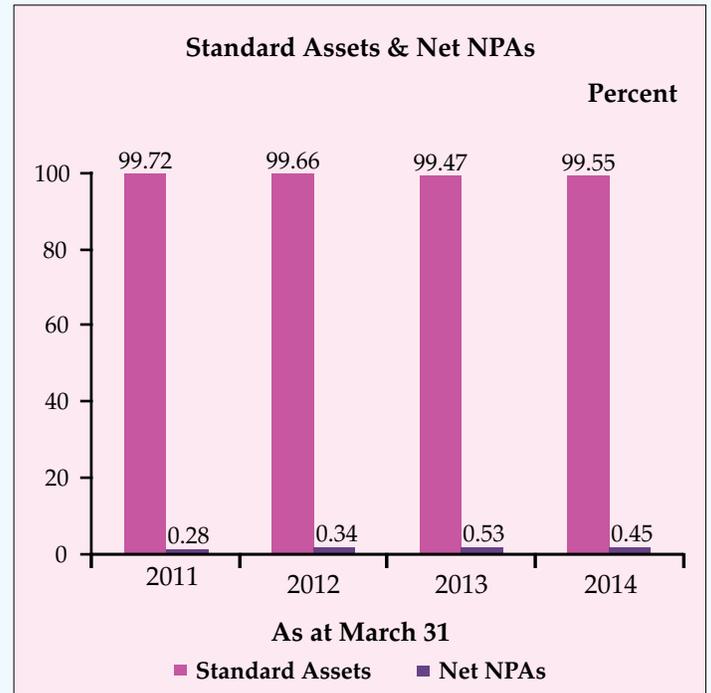
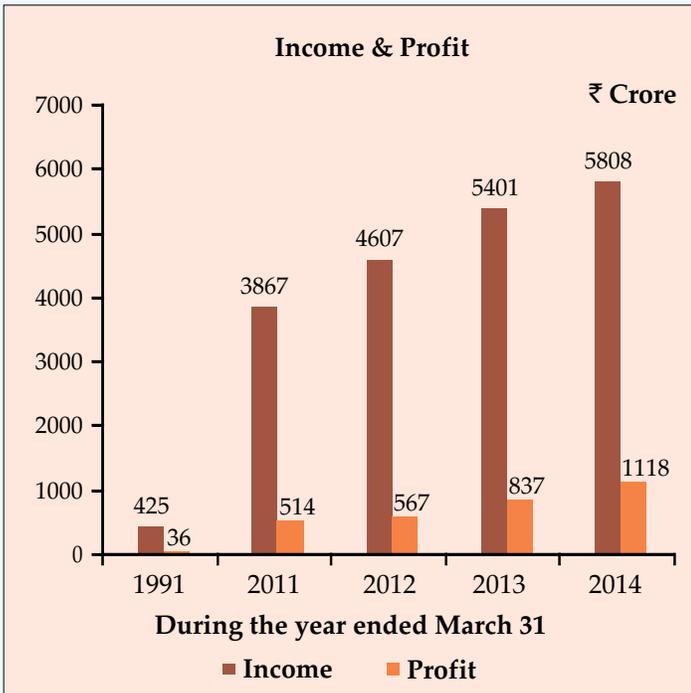
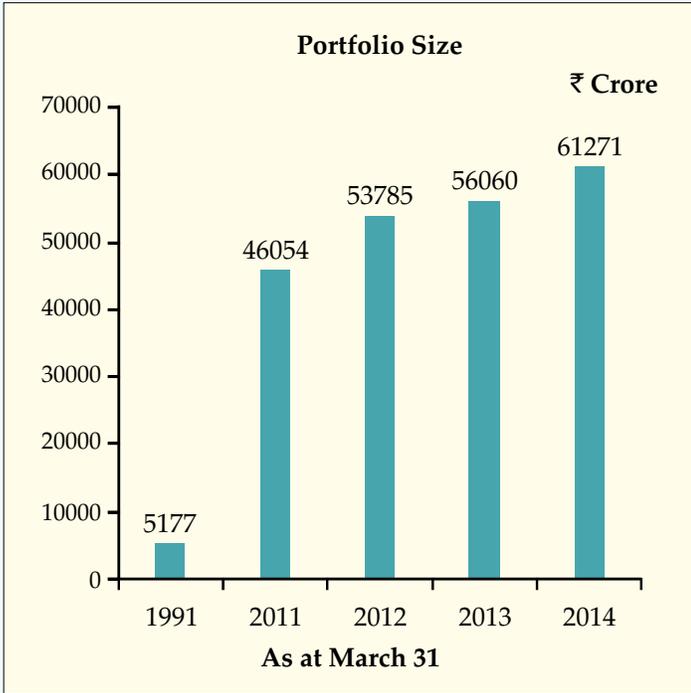
**SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA**

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**ANNUAL REPORT 2013 - 2014**

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# Highlights



## Small Industries Development Bank of India

Report of the Board of Directors for the year ended March 31, 2014 submitted to the Central Government on July 21, 2014 in terms of Section 30 (5) of the Small Industries Development Bank of India Act, 1989.

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## Letter of Transmittal

July 21, 2014

The Secretary,  
Ministry of Finance,  
Government of India,  
New Delhi.

Dear Sir,

**Annual Accounts and Report of the Board on the working of SIDBI – FY 2013-14**

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, 2014 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, 2014.

Yours faithfully,



(N. K. Maini)

Deputy Managing Director

Encl.: as above

## Board of Directors of SIDBI

*(As on July 31, 2014)*



**Shri Amarendra Sinha**



**Shri Alok Tandon**



**Shri Satyananda Mishra**



**Shri Anil Agrawal**



**Shri B. Manivannan**



**Shri J. Chandrasekaran**



**Shri R. Ramachandran**



**Shri S. K. V. Srinivasan**



**Shri N. K. Maini**

## Committees of Directors

(As on July 31, 2014)

### **Executive Committee**

Shri N.K. Maini  
Shri J. Chandrasekaran  
Shri B. Manivannan  
Shri Anil Agrawal  
Shri Satyananda Mishra

### **Audit Committee**

Shri Anil Agrawal, Chairman  
Shri N.K. Maini  
Shri Alok Tandon  
Shri S.K.V. Srinivasan  
Shri R. Ramachandran

### **Risk Management Committee**

Shri R. Ramachandran, Chairman  
Shri N.K. Maini  
Shri S.K.V. Srinivasan  
Shri J. Chandrasekaran

### **Committee for Supervision of SFCs**

Shri N.K. Maini  
Shri Anil Agrawal  
Shri Satyananda Mishra  
Shri R. Ramachandran

### **Special Committee to Monitor Large Value Frauds**

Shri N.K. Maini  
Shri Alok Tandon  
Shri S.K.V. Srinivasan  
Shri J. Chandrasekaran

### **Information Technology Strategy Committee**

Shri B. Manivannan, Chairman  
Shri N.K. Maini  
Shri Anil Agrawal  
Shri Sudhir Seth (External Expert)

### **Customer Service Committee**

Shri N.K. Maini  
Shri J. Chandrasekaran  
Shri Anil Agrawal

### **HR Steering Committee**

Shri N.K. Maini  
Shri Alok Tandon  
Shri J. Chandrasekaran  
Shri Satyananda Mishra  
Dr. Chitra Rao (External Expert)

### **Recovery Review Committee**

Shri N.K. Maini  
Shri Alok Tandon  
Shri S.K.V. Srinivasan  
Shri R. Ramachandran

### **Premises Committee**

Shri B. Manivannan, Chairman  
Shri N.K. Maini  
Shri Satyananda Mishra  
Lt. Col. (Retd) R.S. Chordia (External Expert)

### **Remuneration Committee**

Shri Alok Tandon  
Shri B. Manivannan  
Shri Satyananda Mishra

## Mission

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

## Progress at Glance

( ₹ Crore )

Financial Year	1990-91	2010-11	2011-12	2012-13	2013-14
Outstanding Portfolio	5176.8	46,053.6	53,785.1	56,059.8	61270.7
<b>As on March 31</b>					
Items	1991	2011	2012	2013	2014
Capital - Authorised	500.0	1,000.0	1,000.0	1,000.0	1,000.0
- Paid-up	450.0	450.0	450.0	450.0	450.0
Reserves and Funds	44.9	5,868.4	6,327.9	7,053.3	8,042.3
Total Income (Net of provisions)	425.1	3,442.8	3,870.4	4,557.6	5186.0
Net Profit	35.6	513.8	566.9	837.4	1,118.3
Dividend to Shareholders	5.0	112.5	112.5	112.5	112.5
Return on Avg. Outstanding Portfolio (%)	0.7	2.0	2.2	2.3	2.7
Standard Assets as percentage of net outstanding portfolio	100	99.72	99.66	99.47	99.55
Capital to Risk Assets Ratio (%)	13.9	30.6	28.9	28.1	30.8

## Directors' Report FY 2013-14

The Board of Directors of the Bank takes pleasure in presenting its Report on the business and operations of your Bank for the financial year ended March 31, 2014.

Your Bank was set up in 1990 under an Act of the Parliament as the principal financial institution for the promotion, financing and development of the MSME sector in India. This sector, which has been growing strongly in the recent years, contributes immensely to the economic growth, entrepreneurship development, regional dispersions, financial inclusion and employment creation in the country. Nevertheless, the sector is beset with a number of challenges like lack of availability of adequate and timely credit, high cost of credit, limited access to equity capital, delayed payments of receivables, procurement of raw materials at a competitive cost, lack of access to global markets, inadequate infrastructure facilities, low level of technology modernization, lack of skilled manpower, etc.

SIDBI's business strategy is oriented towards filling up the financial and non-financial gaps in the MSME eco-system. Some of the niche financial gaps being addressed by your Bank are risk capital / equity assistance, sustainable finance, i.e., promoting energy efficiency and clean production technologies, reverse factoring, services sector financing, etc. The direct finance to these niche areas by SIDBI is supplementing and complementing the efforts of the banks to meet the varied credit needs of the MSMEs. Besides, SIDBI channelises indirect finance to the MSME sector through commercial banks, SFCs, NBFCs, MFIs and other sustainable intermediaries.

### **Business Performance**

Your Bank's total disbursement increased from ₹40,520 crore in FY 2012-13 to ₹52,191 crore in FY 2013-14; recording a growth of 29%. Outstanding portfolio of the Bank increased by 9.3% to ₹61,271 crore as on March 31, 2014 from ₹56,060 crore during the same period. The cumulative disbursements as on March 31, 2014 stood at ₹3.37 lakh crore, benefiting more than 340 lakh units/persons.

The total income of the Bank during the year was higher at ₹5,808 crore as compared to ₹5,401 crore during the previous year, due to growth in the overall portfolio. The total expenditure during the corresponding period was higher at ₹3,646 crore as compared to ₹3,361 crore during the previous year. The Profit before Tax for the year was ₹1,539 crore, compared to ₹1,196 crore in the previous year. The net profit after tax and Deferred Tax Adjustment for the year was ₹1,118 crore as against ₹837 crore in the previous year. Your Bank has declared a dividend of 25% for the year and continues its uninterrupted dividend payment record since inception.

### **Business Initiatives**

Some of the niche financial gaps being addressed by your Bank are risk capital / equity assistance, sustainable finance, receivable finance, services sector financing, etc. These are the requirements of MSMEs which are not generally catered to by the banking system. Simultaneously, your Bank acts as a nursery for new financial products, which can eventually get mainstreamed in the banking industry.

**Risk Capital:** In order to address the gap in equity funding, SIDBI started providing risk capital / quasi equity to MSMEs through a specialized product called Growth Capital & Equity Assistance Scheme for MSMEs (GEMS). Under this scheme, SIDBI provides risk capital assistance to MSMEs by way of equity, preference capital, subordinated debt, optionally convertible debentures, optionally convertible debt, etc.

A “National Innovation Finance Programme” has been initiated by the Bank to meet the financing and other needs of the early stage and start-up enterprises. It will be a unique national collaborative programme for creating an enabling environment for innovation financing in the country.

**Sustainable Finance:** Recognizing the need for promoting Energy Efficiency (EE) and sustainable development in the MSME sector for their sustained growth in the long run, SIDBI has taken a number of initiatives to promote Energy Efficiency / Cleaner Production in the MSME sector through specialized loan products and promotional activities.

SIDBI has been operating focused concessional lending schemes for EE out of Lines of Credit (LoC) from various multi-lateral agencies, viz. Japan International Cooperation Agency (JICA), Agence Française de Développement (AFD) and Kreditanstalt für Wiederaufbau (KfW). The main objective of these schemes is to enhance energy efficiency and reduce CO<sub>2</sub> emissions by the Indian MSMEs. SIDBI has contracted LoCs aggregating to an amount of EUR 53.74 million from KfW for promoting investment in cleaner production options in the MSME sector.

**Receivable Finance :** Delayed payments is another concern of the MSME sector. In order to help the MSMEs in quicker realization of their receivables, your Bank has designed a scheme called Receivable Finance Scheme (RFS) under which, exposure limits are approved for well-performing purchaser companies and MSME bills are discounted.

During the FY 2013-14, a new refinance facility of ₹5,000 crore was extended by the Reserve Bank of India effective from November 14, 2013 for a period of one year. The facility aimed at providing liquidity support against the receivables of MSMEs directly and through select intermediaries like Banks, Non Banking Finance Companies (NBFCs) and State Financial Corporations (SFCs), was implemented with effect from December 2013. In a short span from the implementation, the Bank fully utilized and drew the facility amount of ₹5,000 crore from the RBI. A cumulative number of 9,718 MSMEs had been covered upto March 31, 2014 under the facility and out of the total assistance, 89% share had been deployed in micro and small enterprises.

**Services Sector Financing :** The services sector occupies a dominant position in India’s national economy by accounting for more than 60% of GDP. The sector was also the fastest growing segment of the economy during the last decade. In view of the growing share and importance of services sector in the national income and its limited access to finance, SIDBI has increasingly focused on this sector in its business. In FY 2013-14, the existing products were modified and certain tailor-made new products introduced for the sector. A Scheme was also devised, aimed at timely payment to MSME suppliers in construction sector.

**Micro Finance :** Micro finance, which promotes inclusive growth, has been a thrust area of your Bank. The cumulative assistance including loans, equity and quasi-equity, sanctioned under SIDBI's micro finance initiatives upto March 31, 2014 aggregated ₹9,308.01 crore, while cumulative disbursements aggregated ₹8,121.57 crore. The outstanding micro credit portfolio of the Bank stood at ₹1,170 crore as on March 31, 2014. The assistance through SIDBI has cumulatively benefited around 326 lakh disadvantaged persons, most of them being women.

### **Addressing Non-financial Gaps**

Your Bank has also taken strategic initiatives for addressing various non-financial gaps for capacity building of the MSME sector, as well as for bankers.

**Information Dissemination :** With a view to address the information gap by ensuring availability of relevant information to MSMEs, your Bank set up a website [www.smallB.in](http://www.smallB.in) to handhold and guide new entrepreneurs on how to set up a business, access to finance, avail benefits under government schemes, etc.

**Credit Advisory Centres :** With a view to mitigate the various challenges faced by MSMEs in Obtaining credit, SIDBI has set up Credit Advisory Centres (CACs) guiding new / existing entrepreneurs regarding availability of schemes of commercial banks, government subsidies / benefits, provide borrowers with debt counselling, answering queries raised by banks etc. The CACs have been servicing 306 clusters across the country in partnership with Industry Associations. The number of clusters covered would be increased over a period. For manning the CACs, SIDBI has appointed Knowledge Partners (KPs) who are retired Bank officials, suitably trained for the purpose. So far more than 8200 MSMEs have benefited through CACs.

**Loan Syndication Services :** SIDBI has launched the Loan Syndication Services (LSS) with the objective of setting up an ecosystem in partnership with Banks, Rating Agencies and Accredited Consultants to ensure timely and adequate credit flow to the MSMEs by generating complete, rated and validated proposals to be offered to banks / FIs for consideration of assistance. The LSS has referred over 160 proposals to SIDBI and MoU Banks during the FY 2014.

**Poorest State Inclusive Growth (PSIG):** The PSIG programme, being implemented by SIDBI with financial support from DFID, UK, is a seven year programme which aims to enhance the income and employment opportunities of poor women and men in the 4 low income states (Bihar, Odisha, Madhya Pradesh and Uttar Pradesh) by enabling them to participate and benefit from wider economic growth.

**Entrepreneurship Development :** In its endeavour towards promotion and development of the MSME sector, SIDBI adopts a twin approach of creation of enterprises and strengthening of existing enterprises. The Bank has also reoriented its promotional activities towards entrepreneurship development, rural industrialisation, skill upgradation, cluster development, which have benefitted the MSME sector by way of setting up of new enterprises, generation of employment and income in rural areas for lower strata of the society.

## Resources Management

Your Bank raised resources aggregating ₹32,281 crore (₹ 31,156 crore domestic and ₹ 1,125 crore foreign) during FY 2014.

During FY 2014, Credit Analysis and Research Ltd. (CARE) retained 'CARE AAA' (Triple A) rating in respect of outstanding debt issues of your Bank, the Fixed Deposit Programme of ₹3,000 crore and 'CARE A1+' (A One Plus) rating for the CP / CD Programme of ₹6,000 crore. Similarly, CRISIL also retained 'CRISIL AAA/Stable' rating in respect of outstanding bonds and 'FAAA/stable' rating for the Fixed Deposit Programme. During the year, your Bank had raised ₹2,530 crore by way of bonds using the above ratings assigned by CRISIL/ CARE. Instruments carrying the above ratings are considered to be of the best quality and carrying negligible investment risk.

## Human Resources

As on March 31, 2014, Your Bank had on its rolls 1043 active full time staff comprising 880 officers, 99 Class III staff and 64 Subordinate staff. The strength of women employees is 224. Training of employees has always been pivotal for upgrading the quality of manpower and to cope with the changing business environment. During the year under review, your Bank made 1,578 nominations for various inland, in-house and international training programmes, organized in-house or by renowned training / academic institutions.

## Associates and Subsidiaries

Your Bank has been constantly working on building various institutional mechanisms to cater to the emerging needs of the MSME sector and has set up various subsidiaries / associates. The operations of the your Bank's subsidiaries and associates have been satisfactory during the year under review.

**Venture Capital Support:** SIDBI Venture Capital Limited (SVCL) is an asset management company. It was established in 1999 with the ₹100 crore National Venture Fund for Software and IT Industry (NFSIT). In 2004, the ₹500 crore SME Growth Fund was set-up and the ₹671 crore India Opportunities Fund was set-up in the year 2012. During the year, Samridhi Fund with a focus on fostering inclusive growth in the 8 poorer states of India viz. Bihar, Madhya Pradesh, Odisha, Uttar Pradesh, Rajasthan, Jharkhand, Chhattisgarh and West Bengal commenced operations.

**Credit Guarantee :** SIDBI, along with Govt. of India, set up Credit Guarantee Fund Trust for Micro and Small Enterprises in year 2000 to provide credit guarantee coverage to collateral free / third-party guarantee free loans up to ₹100 lakh extended by banks / FIs to micro and small enterprises. Under Credit Guarantee Scheme (CGS), cumulatively, as on March 31, 2014, 14.20 lakh guarantees (69% for loans below ₹25 lakh) for an amount of ₹70,026 crore have been approved.

**SME Ratings :** SIDBI, along with few public sector banks and Dun & Bradstreet (D&B), set up SMERA Rating Limited in September 2005 – a MSME dedicated third-party rating agency to provide comprehensive, transparent and reliable ratings and risk profiling. Cumulatively as on March 31, 2014, SMERA has assigned ratings to more than 27,000 MSME units, out of which MSEs constituted 98%.

**Asset Reconstruction** : SIDBI has also set up, India SME Asset Reconstruction Company Ltd. (ISARC), country's first MSME focused ARC striving for speedier resolution of non-performing assets (NPA) by unlocking the idle NPAs for productive purposes which would facilitate greater and easier flow of credit from the banking sector to the MSMEs. It started operations in April 2009. As on March 31, 2014, ISARC has assets under management of around ₹385 crore.

### Awards

During the year 2013-14, the Bank received the "Vigilance Excellence Award" in the Banking Sector category instituted by Institute of Public Enterprises, Hyderabad. The award came as a recognition of the good work done by SIDBI in the field of Vigilance Administration. Your Bank also bagged a consolation prize from the Reserve Bank of India for excellence in the field of Official Language implementation in the region 'C' classification for the purpose.

### Acknowledgements

The Board of Directors of your Bank acknowledges the valuable support received from the Government of India and the Reserve Bank of India. The Board is also thankful to the World Bank Group; Japan International Co-operation Agency (JICA), Japan; Department for International Development (DfID), U.K.; Kreditanstalt für Wiederaufbau (KfW), Germany; The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Germany; International Fund for Agricultural Development (IFAD), Rome; Agence Française de Développement (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 stakeholders engaged in the promotion and development of the MSME sector.

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



(N. K. Maini)  
Deputy Managing Director



## Economic and Micro, Small and Medium Enterprises – Performance and Outlook

## Economic and Micro, Small and Medium Enterprises – Performance and Outlook

Recovery in the global economy was on track in FY 2013-14 on the back of strengthening of economic activity during the second half of FY 2012-13. On the current reckoning, global growth rate is likely to be around 3.6% in 2014, higher than that of 3% in 2013. Growth in output in advanced economies is expected to improve, whereas growth in emerging market and developing economies will be under some pressure.

As per the Advance Estimates of the Central Statistical Organisation (CSO), the growth in Gross Domestic Product (GDP) at factor cost at constant (2004-05 prices) was estimated at 4.7% in FY 2013-14 with agriculture, industry and services sector registering growth rates of 4.7%, 0.4% and 6.8%, respectively. Moderation of inflationary pressure, improvement on external front by way of improvement in Current Account Deficit (CAD) and larger external capital flows would improve the growth environment.

### Micro, Small and Medium Enterprises Sector

Micro, Small and Medium Enterprises (MSMEs) across the world, including India, are the vehicle for faster, sustainable and more inclusive growth. There are over 6000 products ranging from traditional to high-tech items, which are being manufactured by the MSME sector, in addition to providing a wide range of services. With 45 million enterprises, the MSME sector generates more than 100 million jobs – the second largest after agriculture [Table 1.1]. It also contributes 40 per cent of total industrial manufacturing and 36 per cent of India's total exports.

**Table 1.1: Performance of MSMEs**

Year	Total Working Enterprises (In Lakh)	Employment (In Lakh)
2006-07	361.76 †	805.23 †
2007-08#	377.37	842.23
2008-09#	393.70	881.14
2009-10#	410.82	922.19
2010-11#	428.77	965.69
2011-12#	447.73	1012.59

† Including activities of wholesale/retail trade, legal, education & social services, hotel & restaurants, transports and storage & warehousing (except cold storage) for which data were extracted Economic Census 2005, Central Statistics Office, M/o SPI.

# Projected

Source: Annual Report FY 2012-13, Ministry of MSME, Govt. of India

## Policy Environment

In order to promote growth and competitiveness in the MSME sector, the Government of India and the Reserve Bank of India have been initiating a number of supportive measures. Some of the recent measures are given below:

### Union Budget 2014-15 (Interim)

- The interim Budget envisages that Ministry of MSME will create the “India Inclusive Innovation Fund” to promote grass root innovations in MSME sector with an initial contribution of ₹100 crore to the corpus of the fund.
- The National Skill Certification with an allocation of ₹1,000 crore was launched in August 2013. Additional contribution of ₹1,000 crore is proposed to the National Skill Development Trust.
- Notification for Public Procurement Policy, launching of Khadi Mark and establishment of technology and common facility are expected to benefit MSMEs.
- Additional capacities are being installed in major manufacturing industries such as steel, cement, refinery, power and electronics.

### Union Budget 2014-15

- In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a ₹10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi equity, soft loans and other risk capital to improve the entrepreneurship culture in the country and encourage start ups. The provision of risk capital to start ups will enable more innovative ideas to take shape in the MSME sector.
- A “Start Up Village Entrepreneurship Programme” with an initial sum of ₹100 crore for encouraging rural youth to take up local entrepreneurship programme announced.
- Financing to the MSME sector is of critical importance, particularly as it benefits the weakest sections. A committee is to be set up to examine the financial architecture of the sector and give suggestions in three months.
- The definition of MSME will be reviewed to provide for a higher capital ceiling. A programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery will also be put in place.
- Entrepreneur friendly legal bankruptcy framework will also be developed for SMEs to enable easy exit. A nationwide “District Level Incubation and Accelerator Programme”



Annual Performance Review meeting of PSBs & FIs

would be taken up for incubation of new ideas and providing necessary support for accelerating entrepreneurship.

### **RBI Monetary and Credit Policy**

- In order to ease the liquidity stress to MSE sector, RBI had made available refinance assistance of ₹5,000 crore to SIDBI. This fund was available for direct liquidity support to finance receivables by SIDBI as well as for liquidity support to Banks, SFCs and NBFCs.
- To mitigate the liquidity constraint of medium sector, RBI has decided to include credit to medium sector by scheduled commercial banks as priority sector lending. This relaxation was available for incremental credit flow to the sector over the outstanding as on November 13, 2013 and this was available upto March 31, 2014.
- In April 2013, the limit of bank loans to micro and small service enterprises increased from ₹2 crore to ₹5 crore for the purpose of treating it as priority sector lending.

### **Exim Policy**

#### **Annual supplement FY 2014 to Foreign Trade Policy 2009-14, inter alia, envisages the following:**

- Zero duty EPCG scheme and 3% EPCG scheme have been harmonized into one scheme which will be Zero duty EPCG scheme covering all sectors. It means that Zero duty EPCG scheme which was in operation till 31.3.2013 is now continued and shall be available for all the sectors. Export Obligation of 6 times the duty saved amount needs to be completed in a period of 6 years and the period for import would be 18 months, which was earlier 9 months for Zero duty EPCG scheme and 36 months for 3% EPCG scheme.
- Exporters who are availing benefits under Technology Up-gradation Fund Scheme (TUFS) will also be eligible for Zero Duty EPCG Scheme.
- The import of motor cars, SUVs, all purpose vehicles for hotels, travel agents, or tour transport operators and companies owning/ operating golf resorts will not be allowed under the new Zero Duty EPCG Scheme, which was earlier allowed with some conditions.
- Domestic procurement against EPCG authorization has been promoted by reducing 10% Export Obligation for sourcing of capital goods domestically.
- The 2% Interest Subvention Scheme has been extended upto 31.3.2014.
- Scope of 2% Interest Subvention Scheme is widened to include 134 sub-sectors of engineering sector.
- 126 new products have been added under Focus Product Scheme.
- About 47 new products have been added under Market Linked Focus Product Scheme (MLFPS).

- Incremental Exports Incentivisation Scheme has been extended for the year 2013-14. The calculation of the benefit shall be on annual basis under the extended period.
- A one time facility is provided to close cases where there is a default in Export Obligation pertaining to Advance Authorizations and EPCG authorizations. Exporter will have to pay duty + interest within a limited period of 6 months from the date of notification of the scheme subject to the condition that the total payment shall not exceed two times the duty saved amount on default in Export Obligation.
- Service exporters who are also engaged in manufacturing activity are permitted to use Served From India Scheme (SFIS) duty credit scrip for importing/domestically procuring capital goods as defined in Para 9.12 of FTP including spares related to manufacturing sector business of the service provider.
- Hotels, travel agents, tour operators or tour transport operators and companies owning/operating golf resorts having SFIS scrip can import or domestically procure motor cars, SUVs and all purpose vehicles using SFIS Scrips for payment of duties. Such vehicles need to be registered for “tourist purpose” only.
- 5 additional items (embroidery/sewing threads/poly/quilted bedding materials and printed bags) are included in the list of items which are allowed duty free within the existing limits upto 5% FOB value of exports of handloom made-ups in preceding year or within the existing limit of upto 1% of FOB value of exports of cotton/man-made-ups in preceding year.
- Similarly, 5 additional items have been added pertaining to sports goods exports. These 5 items are (i) PVC Leather Clot (to be used in the manufacture of Inflatable Balls & Sports Gloves), (ii) Latex Foam (to be used in the manufacture of Shin Guard & Goal Keeper Gloves & other Sports Gloves), (iii) Peva / Eva Foil (to be used in the manufacture of Shin Guard & Sports Gloves), (iv) Stitching Thread (to be used in the manufacture of Inflatable balls & Sports Gloves), and (v) Printing Ink (to be used in the manufacture of Inflatable balls & Sports Gloves).

### MSME Outlook

With the bottoming out of economic slowdown, the prospects of the Indian economy and MSMEs have improved. The economy is expected to move on a slow but steady recovery path during FY 2014-15, touching a high growth rate in the range of 5.4% - 5.9% as per the Economic Survey 2013 – 14. Thereafter, the growth is expected to accelerate on the basis of certain positive indications like considerable decline in current account deficit, higher capital inflows, moderation



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in inflationary pressure, stability in exchange rate, etc. These green shoots are expected to provide a congenial atmosphere for the economy to grow at faster rate. Similarly, higher credit flow, notification of public procurement policy, higher outlays on skill development and for promoting venture funding, establishment of common facility centers, etc. will help MSMEs to consolidate their growth potential and move on a higher growth trajectory.



## Strategic Business Initiatives and Overall Operations

## Strategic Business Initiatives and Overall Operations

SIDBI has reoriented its business strategy towards filling up the financial and non-financial gaps in the MSME eco-system. Some niche financial gaps addressed by SIDBI are equity/ risk capital, receivable finance, sustainable finance which includes energy efficiency/clean production technology, services sector financing, factoring and reverse factoring, etc. The direct finance to these niche areas is supplementing and complementing the efforts of the banks/FIs to meet varied financial needs of the MSMEs.

SIDBI has also taken strategic initiatives for addressing various non-financial gaps for capacity building of the MSME sectors, as well as bankers. These activities include entrepreneurship promotion through a dedicated website 'www.smallB.in', Credit Advisory Services, Loan Facilitation, capacity building of banks, particularly Regional Rural Banks towards micro enterprise lending, etc. Brief highlights of some important business initiatives are enumerated in the following paragraphs:

### I Business Strategy

#### i Equity/Risk Capital

**Risk Capital Fund:** One of the major problems faced by MSME entrepreneurs is lack of adequate equity required for raising funds from banks and institutions. There is limited availability of venture capital for smaller companies due to a host of factors, valuation complexities, limited exit options, corporate governance issues, rating, transparency, etc. Thus, a large number of entrepreneurs resort to borrowings from informal sources at a 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 started the risk capital operations in FY 2008-09 under the MSME Risk Capital Fund (MSME- RCF) with a committed corpus of ₹2,000 crore. An amount of ₹1,500 crore has been drawn out of MSME-RCF so far. Subsequently, India Opportunities Venture Fund (IOVF) of ₹5,000 crore had been set up in terms of the announcement in the Union Budget for FY 2012-13. However, due to the inherent asset liability mismatch, the facility being in the nature of a three year loan, operations under IOVF have not taken off adequately.

Risk capital / equity assistance is provided to MSMEs directly using various mezzanine structures as well as through Fund of Funds operation (i.e. through Venture Capital Funds -VCFs). The risk capital assistance is offered on the backing of future cash flows and prospects of the unit rather than asset coverage / collaterals applicable under conventional loans.

Risk capital assistance, therefore, has significant benefits for MSMEs whose growth plans get constrained due to shortage of capital and limitations in offering collaterals. The assistance has supported the growth requirements of a number of MSMEs including leveraging of senior loans, funding intangible requirements like expenditure for R&D, marketing / brand building, technical knowhow, energy efficiency, quality control, working capital (WC) margin, etc. where bank loans are generally not available as such investments are non-asset creating.

SIDBI has also piloted a scheme to assist start-ups and early stage ventures, selectively, operating in innovative / technology space, including those being incubated at technology incubation centres. Such units find difficulty in raising finance from the formal banking system due to high perceived risk (could be in pre-commercialisation stage, pre-profit stage, etc.), besides absence of tangible security / collaterals to offer. The Bank has been working with incubators and other Angel Networks to identify and support deserving start-ups.

### TIFAC-SIDBI Technology Innovation Programme

SIDBI has executed a Memorandum of Understanding (MoU) with Technology Information, Forecasting and Assessment Council (TIFAC), Ministry of Science & Technology, Govt. of India for implementing the Technology Innovation Programme (Srijan Scheme). A revolving innovation fund of ₹30 crore has been created by TIFAC under the scheme. The main objective of the scheme is to support MSMEs towards development, up-scaling, demonstration and commercialization of innovative technology based project. The Scheme provides developmental loan at flexible terms and interest rate to encourage / promote development / innovation of new technology / process / product and its commercialization. Under the scheme, assistance is provided upto ₹1 crore at a softer interest rate not more than 5% p.a. As on March 31, 2014, an amount aggregating to ₹8.43 crore has been committed to 10 innovative units under the Scheme.

### ii Sustainable Development

Recognizing the need for promoting Energy Efficiency (EE) and sustainable development in the MSME sector for their survival and growth in the long run, SIDBI has taken a number of initiatives to promote Energy Efficiency/Cleaner Production in the MSME sector through loan products and promotional activities.

SIDBI has been operating focused concessional lending schemes for EE out of Lines of Credit from various multilateral / bilateral agencies, viz. Japan International Cooperation Agency (JICA) Phase I- JPY 30 billion & Phase-II – JPY 30 billion, Agence Française de Développement (AFD) – EUR 50 million and Kreditanstalt für Wiederaufbau (KfW) – EUR 50 million. The main objective of these schemes is to enhance energy efficiency and reduce CO<sub>2</sub> emissions of the Indian MSMEs.

SIDBI has contracted LoCs aggregating to an amount of EUR 53.74 million from KfW for promoting investment in cleaner production options in the MSME sector. The main objective of the line is to achieve a reduction or avoidance of emission and pollution through cleaner production investments.

During the FY 2012-13, a new product, viz. Sustainable Finance Scheme (SFS) was launched with the objective to widen the scope of the Bank's offerings for sustainable development projects which lead to significant improvements in EE / CP / sustainable development, but are not covered under any LoC from international agencies.



SIDBI's Business Review Meet at Ahmedabad

### **Programmatic Clean Development Mechanism project (PcDM)**

SIDBI, being the apex development financial institution for MSMEs in India, is implementing a programmatic project, viz. "Energy Efficiency Improvements in Furnaces used in SME Steel industry clusters in India". It is the first PcDM project for Energy Efficiency in MSMEs in the World. It has been registered with United Nations Framework Convention on Climate Change (UNFCCC).

### **WB-GEF Project**

SIDBI, along with Bureau of Energy Efficiency (BEE) is executing a World Bank-Global Environmental Facility (GEF) project, viz. "Financing Energy Efficiency in MSMEs" in five MSME clusters, viz., Kolhapur- foundry, Tirunelveli- lime kilns, Ankleshwar- chemicals, Pune- forging and Faridabad-mixed cluster. The objective of the project is "to increase demand for energy efficiency investments in the target MSME clusters and to build their capacity to access commercial finance".

### **iii. Receivable Finance**

Receivable Finance Scheme (RFS), launched in the year 1991, is one of the lead schemes of the Bank. Under the scheme, the Bank provides assistance to MSMEs to address their problems of delayed payment in respect of credit sales made to purchaser companies. SIDBI offers finance to MSMEs against the Bills of Exchange / Invoices arising out of such sales.

During the FY 2013-14, a new refinance facility of ₹5,000 crore was extended by the Reserve Bank of India effective from November 14, 2013 for a period of one year. The facility aimed at providing liquidity support against the receivables of MSMEs directly and through select intermediaries like banks, NBFCs and SFCs, was implemented with effect from December 2013. The availability of refinance under the facility was restricted to 90 days' period reckoned from the date of utilization and could be rolled over upto November 13, 2014. The facility was executed by way of direct and indirect assistance through various products, including bills rediscounting against the MSME bills discounted by the banks.

In a short span of its implementation, the Bank fully utilized and drew the facility amount of ₹5,000 crore from the RBI. Of this, an aggregate sum of ₹4,003 crore was deployed through public/private sector banks (₹2,956 crore under bills rediscounting and ₹1,047 crore under refinance). The balance amount of ₹997 crore was accounted for against the Bank's RFS portfolio. A cumulative number of 9,718 MSMEs had been covered upto March 31, 2014 under the facility and out of the total assistance, 89% share had been deployed to micro and small enterprises.

With a view to improving the quality of RFS portfolio, the Benchmark for Sanction was introduced during the year in line with revised delegation of power framework. The Standard Operating Procedure for verification of end use of funds was formalized. Based on the customer requirements, e-discounting module was rolled out in addition to NTREES. To expand the operation of seller-wise receivable finance scheme, an in-house module was successfully executed during the year.

The experience gained from NTREES was shared with the Reserve Bank of India which has now initiated the process to take this agenda into the mainstream of financing by building necessary infrastructure at the national level.

## Factoring

Pursuant to budget announcement for FY 2013-14 on creation of credit guarantee fund of ₹500 crore for promotion of factoring business in India, SIDBI has conducted 12 seminars to enhance awareness on factoring services for MSMEs and other stakeholders.

### iv. Service Sector Financing

The service sector occupies a dominant position in India's national economy by accounting for above 60% of GDP. The sector is also the fastest growing segment of the economy during the last decade.

In view of the growing share and importance of service sector to national income, SIDBI has focused on increasing the share of service sector portfolio in its business. In FY 2013-14, the existing products were modified and certain tailor-made new products introduced for the sector. The new schemes have provision for cash-flow based funding with lower collateral. A scheme was also devised aiming at timely payment to MSME suppliers in construction sector.

In the current financial year, the vertical would focus on introducing more sector specific products, strive towards devising a workable model for financing the franchisee model of businesses, and financing of infrastructure projects, among other things.

### SIDBI as Nodal Agency for Government Schemes

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

During the FY 2013-14, capital subsidy claims of 754 eligible Micro and Small Enterprises (MSEs) directly assisted by SIDBI aggregating ₹43.02 crore were settled under CLCSS. Further, subsidy claims of 2748 MSEs amounting to ₹167.76 crore in respect of co-opted Primary Lending Institutions were also settled. Since the launch of the Scheme in October 2000, capital subsidy claims of 14,833 units aggregating ₹829.69 crore (cumulative) were settled. Similarly under TUFS, subsidy claims (both interest incentive subsidy & capital / margin money subsidy) of 357 eligible textile units for SIDBI's directly assisted cases amounting to ₹9.78 crore and subsidy claims aggregating ₹2.94 crore were settled in respect of the co-opted PLIs for their assistance to MSEs. Since the launch of the TUFS in April 1999, capital subsidy and interest incentive claims for an amount of ₹682.72 crore (cumulative) have been settled. Under IDLSS, which was launched in November 2005, cumulative claims of 1633 units aggregating ₹251.78 crore were settled including 305 units amounting to ₹44.36 crore during FY 2013-14. Under FPTUFS, subsequent to decentralization of the scheme from April 2007, 54 cases (involving 82 installments) have been recommended for grant-in-aid amounting to ₹12.71 crore to the Ministry, against which subsidy aggregating ₹8.96 crore has been released to 38 units assisted by SIDBI.

### II. Risk Management

SIDBI has put in place a comprehensive Risk Management system which is sensitive and responsive to various risks emanating from its business and other operations. The framework of risk management in the Bank encompasses policies, organization structure, system and practices for identification, assessment / measurement, mitigation and monitoring of various risks of the Bank. The Bank has put in place an Enterprise Risk Management [ERM] Policy which is reviewed annually. The ERM Policy is an umbrella document that covers the general/common aspects pertaining to risk management by the Bank and links to the subsidiary policy documents, viz. Loan Policy, Loan Recovery Policy, Investment Policy, Asset - Liability Management [ALM] Policy, Operational Risk Management [ORM] Policy, Business Continuity Management [BCM] Policy, IT Security Policy, Delegation of Powers, etc. Besides credit, market and operational risks covered in various policies, the other risks, viz. residual credit, credit concentration, interest rate risk in banking book, legal, reputation, etc., are addressed in the Internal Capital Adequacy Assessment Process (ICAAP) Policy.

The 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. Though not enjoined upon the Bank, as a proactive measure to be in preparedness of compliance to Basel II norms, the Bank has put in place Integrated Risk Management System [IRMS], which includes policies and systems for Credit Risk Management [CRM], Market Risk Management, ORM and ICAAP. The Bank has implemented Comprehensive Operational Risk Evaluator (CORE) system which is used for Loss Data Capture, Key Risk Indicator (KRI), and Risk and Control Self Assessment (RCSA). The Bank has also implemented Business Continuity Management (BCM) Policy which is designed to ensure continuity of critical business operations during disasters. The intention is to ensure that the Bank is able to minimize the disruption to critical operations at a level which is acceptable to Management by putting in place a robust and resilient business continuity strategy and framework.

### III. NPA Management

In order to improve the overall quality of assets of the Bank, the priority is to reduce the present level of Non-Performing Assets (NPAs), to prevent further slippages of accounts into NPA category and to maximise recovery of NPAs by proper application of appropriate recovery tools. The stressed / defaulting accounts, both in indirect as well as direct portfolios, are being monitored intensively and appropriate recovery strategy is being adopted by the Bank on a case-to-case basis. As per the directives of GoI, a Board level 'Recovery Review Committee' has also been constituted to review NPA cases having principal outstanding of ₹3 crore and above.

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

During FY 2013-14, the level of NPAs under Direct Assistance portfolio (after Prudential Write Off), stood at ₹394 crore as at March 31, 2014. As a measure of introspection and sharing of knowledge, the Bank has also devised a system of review of fresh slippage of accounts into the NPA category to understand

and analyse the failure causes thereof. The reasons for fresh slippages related mainly to borrowers like management problems, inexperience of management team, labour problems, workers, time overrun, cost overrun, etc. and to external factors like changes in policy, power related problem, recession in the industry, general slow-down in the economy, lack of adequate working capital, unfavourable changes in market forces, etc. There were also a few cases of willful default/misappropriation/diversion of funds.

The Bank is taking necessary action including restructuring measures (under CDR mechanism and SIDBI's scheme), wherever found necessary to help the borrowers in tiding over their liquidity problems. At the same time, the Bank has recovered ₹157.83 crore from NPA accounts under Direct Credit portfolio, including ₹36.91 crore out of prudentially written off accounts where there were remote or nil chances of recovery.

In case of Indirect Assistance portfolio (including Micro Finance) the level of NPAs increased to ₹732 crore as on March 31, 2014. The Bank has been taking a number of initiatives, including dialogues with the State Governments concerned, to safeguard its interests in respect of NPA of SFCs.

The net NPAs as a ratio of net outstanding of the Bank as at end of March 2014 improved to 0.40% as compared to 0.53% as at end March, 2013.

#### IV. Overall Operations

The total MSME outstanding credit of the Bank increased by 9.3% to ₹61,271 crore as on March 31, 2014 as against 4.2% in 2013 (Table 2.1). The cumulative disbursement by SIDBI to the MSME sector since inception stood at ₹3.37 lakh crore, benefiting more than 340 lakh persons / units in the MSME sector.

**Table 2.1 : Overall Operations**

(₹ Crore)

Particulars	FY 2013		FY 2014	
	Disbursement	O/s Amt	Disbursement	O/s Amt
<b>Indirect Credit</b>				
a. Refinance	22,870	37,193	34,255	40,383
b. Micro Finance	323	1,132	651	1,170
c. Others	4,243	5,469	4,672	7,705
<b>Total Indirect Credit</b>	<b>27,435</b>	<b>43,794</b>	<b>39,578</b>	<b>49,258</b>
<b>Direct Credit</b>				
a. Term Loan under Direct Credit	1,557	8,021	3,215	9,144
b. MSME Receivable Finance	11,528	4,244	9,398	2,869
<b>Total Direct Credit</b>	<b>13,085</b>	<b>12,265</b>	<b>12,613</b>	<b>12,013</b>
<b>Grand Total</b>	<b>40,520</b>	<b>56,060</b>	<b>52,191</b>	<b>61,271</b>

**Note:-** Outstanding figures are net of prudential write off and NPA provisions.

## Indirect Credit

Indirect credit constitutes 80% of total credit outstanding of SIDBI. It comprises refinancing support to banks, State Financial Corporations (SFCs), Bills Rediscounting support to banks, assistance to Microfinance Institutions (MFIs) and resource support to various institutions and agencies. The outstanding of indirect credit increased by 12.5% to ₹49,258 crore as on March 31, 2014 as against a growth of only 3% in 2013 (Table 2.1).

## Refinance Scheme for Micro and Small Enterprises Sector (RMSE - V)

In order to further enhance the refinance capability of SIDBI, the Government of India, through Budget for FY 2013-14, increased the allocation from the current level of ₹5,000 crore to ₹10,000 crore per year. Accordingly, Reserve Bank of India allocated a corpus of ₹10,000 crore to SIDBI under the MSE (Refinance) Fund FY2013-14. Out of the corpus of ₹10,000 crore allocated, SIDBI disbursed ₹2,047 crore to banks for onward lending to MSEs. Reserve Bank of India stipulated a condition that SIDBI should ensure that the refinance was extended only in such cases where the interest rate charged by banks to the ultimate borrowers was reasonable, i.e., not more than the base rate of refinanced banks. SIDBI was also required to ensure that the interest rate charged by SFCs/others to the ultimate borrowers was not more than two percent above SIDBI's lending rate to them. Due to non-availability of assets by the banks lent at not more than their base rates and well performing assisted SFCs lending on longer terms, the corpus of ₹10,000 crore could not be fully utilised during the year under review.

## Micro Finance

The cumulative assistance including loans, equity and quasi-equity but excluding India Microfinance Equity Fund (IMEF) & Poorest State Inclusive Growth (PSIG) sanctioned under SIDBI's micro finance initiatives upto March 31, 2014 aggregated ₹9,308.01 crore, while cumulative disbursements aggregated ₹8,121.57 crore. The outstanding micro credit portfolio of the Bank stood at ₹1,924.00 crore, as on March 31, 2014. The number of MFIs assisted by SIDBI and having loan outstanding with the Bank as on March 31, 2014 stood at 84. The assistance through SIDBI has benefited around 326 lakh (approx.) disadvantaged people, most of them being women. The comparative operational highlights of SIDBI's Micro Finance Support are given in the following table 2.2.

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

SI. No.	Particulars	FY2012-13		FY2013-14		Cumulative
		Disb.	Outstanding	Disb.	Outstanding	Disb.
1	Term Loans to MFIs	335.02	1,222.22	581.00	1,276.31	7,693.58
2	Missing Middle Assistance to PFIs/NBFCs	50.00	50.00	33.00	75.29	136.14
3	MEL - Direct Lending	0.04	3.54	0.00	1.42	12.25
4	Transformation Loan (TL) / Corpus Support for Transformation	0.00	1.85	0.00	1.85	19.05
5	Subordinate Debt	0.00	100.00	0.00	100.00	175.00

(₹ Crore)

6	Equity Support	0.00	86.48	0.00	84.89	85.55
7	Optionally Convertible Cumulative Preference Shares	0.00	287.63	0.00	275.04	0.00
8	Compulsory Convertible Preference Shares	0.00	109.20	0.00	109.20	0.00
	<b>Total</b>	<b>385.06</b>	<b>1,860.92</b>	<b>614.00</b>	<b>1,924.00</b>	<b>8,121.57</b>

### India Microfinance Equity Fund

Subsequent to the announcement in the Union Budget 2011-12, the Indian Microfinance Equity Fund (IMEF) was set up with the primary objective of providing equity and quasi-equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. As at the end of March 31, 2014 the outstanding under IMEF stood at ₹92.25 crore (Table 2.3)

**Table 2.3 IMEF Operations**

(₹ Crore)

Scheme	FY 2013		FY 2014	
	Disb.	Outstanding	Disb.	Outstanding
Sub-Debt	44.50	44.50	3.00	47.50
Equity	8.25	8.25	3.00	11.25
OCPS	20.50	20.50	13.00	33.50
Total	73.25	73.25	19.00	92.25

The Bank also extended assistance under Poorest State Inclusive Growth Programme (Department for International Development). Under Debt Fund of the scheme ₹71.29 crore (₹11 crore in FY2013) was sanctioned out of which, ₹46.01 crore was disbursed upto March 31, 2014. The outstanding under the scheme stood at ₹40.35 crore as on March 31, 2014.

### Resource Support to Institutions:

The NBFCs play a crucial role in broadening access to financial services, enhancing competition and diversification in the financial sector. As a last mile connectivity to MSMEs, SIDBI has been channelising credit to NBFCs having linkages with the MSME sector. The disbursement and outstanding under resource support to such institutions during FY 2013-14 stood at ₹1,200 crore and ₹4,739.13 crore, respectively.

### Direct MSME Credit

Subsequent to the consolidation of its new business model, SIDBI strengthened its niche financing in the areas of risk capital, receivable financing, sustainable financing for promoting energy efficiency and cleaner production and service sector financing. Direct lending is provided primarily where gaps exist or in clusters or in niche areas as mentioned above. SIDBI complements and supplements the efforts of banks in meeting varied credit needs of MSMEs by this way. The highlights are:

- As at the end of FY 2013-14, the outstanding under Risk Capital was ₹801 crore.
- SIDBI also extends assistance to 'Venture Capital Funds / Private Equity Funds'. The cumulative net commitments to VC / PE Funds under MSME RCF & IOVF as at the end of FY 2013-14 stood at ₹897 crore.
- The outstanding portfolio under Receivable Finance Schemes (RFS) as at end March 31, 2014 aggregated ₹2,869 crore (₹4,244 crore at the end of the previous year).
- Overall operations under Service Sector financing registered a growth of 51% from ₹1,452 crore as at the end of March 31, 2013 to ₹2,191 crore as at the end of March 31, 2014.

### 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., in addition to services provided within the traditional banking framework. Summary of business under non-fund based facility during FY 2013-14 is provided in Table 2.4.

**Table 2.4 : Non-Fund Based Business** (₹ Crore)

Particulars	FY2012-13		FY2013-14	
	No.	Outstanding	No.	Outstanding
Foreign Letters of Credit	69	62.19	76	272.62
Inland Letters of Credit	11	2.45	1	1.66
Guarantee Scheme	107	52.90	226	50.55
<b>Total</b>	<b>187</b>	<b>117.54</b>	<b>303</b>	<b>324.83</b>

### V. Resources Management

Resources aggregating ₹32,281.32 crore were raised by SIDBI during FY 2013-14 as against ₹13,245.88 crore during FY 2012-13. The particulars of resources raised during FY 2013-14 are given in the table below :-

**Table 2.5 Resources raised by SIDBI** (₹ Crore)

	2012-13	2013-14
<b>Domestic Borrowings</b>		
MSE (Refinance) Fund	5,289.13	5,000.00
MSME (Risk Capital) Fund	500.00	0.00
RBI Refinance Facility	0.00	5,000.00
India Opportunities Venture Fund	500.00	0.00
Fixed Deposits	664.71	247.98

Commercial Paper	2,058.48	16,877.65
Term Loan	2,800.00	1,500.00
Unsecured Bonds	750.00	2,530.00
<b>Sub-total</b>	<b>12,562.32</b>	<b>31,155.63</b>
<b>Foreign Currency Borrowings</b>		
JICA VIII #	404.49	208.79
KfW V @	70.79	198.95
KfW VI @	23.55	75.02
KfW VIII @	0.00	11.71
KfW IX @	0.00	15.77
World Bank II	7.77	108.69
World Bank III (IBRD Portion)	155.05	322.70
World Bank III (IDA Portion) ^	0.66	0.22
AfD *	0.00	77.55
Asian Development Bank	0.00	81.23
Grant from DFID, UK **	18.96	22.20
Grant under KfW	0.88	0.72
Grant under World Bank	1.41	1.13
Grant from ADB	0.00	0.02
Grant from GIZ	0.00	0.98
<b>Sub-total</b>	<b>683.56</b>	<b>1,125.69</b>
<b>Total</b>	<b>13,245.88</b>	<b>32,281.32</b>

# Japan International Cooperation Agency. @ Kreditanstalt für Wiederaufbau, Germany.

^ International Development Association, \* Agence Francaise de Development, France

\*\* Department For International Development, U.K.

It may be observed that SIDBI borrowed ₹31,156 crore during FY 2013-14 from domestic sources as compared to ₹12,562 last year. From international sources, a sum equivalent to ₹1,126 crore was borrowed/ availed as grant during FY 2013-14 as against ₹684 crore last year. The borrowings and grants from bilateral/multilateral institutions reflect continued good relationship with these foreign institutions. During FY 2013-14, Credit Analysis and Research Ltd. (CARE) retained 'CARE AAA' (Triple A) rating in respect of outstanding debt issues of SIDBI, the Fixed Deposit Programme of ₹3,000 crore and 'CARE A1+' (A One Plus) rating for the CP / CD Programme of ₹6,000 crore. Similarly, CRISIL also retained 'CRISIL AAA/Stable' rating in respect of outstanding bonds and 'FAAA/stable' rating for the Fixed Deposit Programme. During the year, SIDBI had raised ₹2,530 crore by way of bonds using the above ratings assigned by CRISIL/ CARE. Instruments carrying the above ratings are considered to be of the best quality and carrying negligible investment risk.

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To take SIDBI's international cooperation to greater height and to share, across different geographies, its learning and experiences gained over more than two decades of its operations, the Bank had set up an International Co-operation Vertical. The Vertical interacted with several delegations from Ethiopia, Bangladesh and Bahrain during the year. The delegations deliberated on different ways and means on improving the MSME ecosystem in their respective countries with SIDBI's support.

An MoU was signed with Bahrain Development Bank (BDB) group on February 19, 2014 for providing consultancy services in the areas of risk management, credit appraisal, monitoring policy and NPA management, besides training of BDB officials and support in developing policy for internationalization of SMEs in Bahrain. Incidentally, an MoU was also signed with the Social Fund for Development (SFD), Egypt in FY 2013 for cooperation in five thematic areas. During the year, a delegation from SFD visited SIDBI to crystallize the action plan.



Conference on 'MSME Funding - Opportunities and Challenges' by CII



## Financial Inclusion and Sustainable Growth

## Financial Inclusion and Sustainable Growth

The Micro Finance (MF) sector witnessed a revival after streamlining of various regulatory guidelines, which have ensured a strong and clear outline for Micro Finance Institutions (MFIs) to operate in the system. The guidelines also provide a platform for MFI lenders to assess the MFIs performance in terms of sustainability as well as regulatory compliance. A promising development in the microfinance sector in recent period has seen the rise in the flow of bank funds to MFIs.

In order to further strengthen the corporate governance in the micro finance system, SIDBI has been relentlessly promoting responsible micro finance initiatives. With this background, as part of its initiatives, SIDBI has created a Lenders' Forum comprising key MFI Lenders with a view to promote cooperation amongst themselves for leveraging support to MFIs across the sector. All the major lenders of MFIs have agreed to work together to impress upon the MFIs to implement responsible lending practices through a common set of loan covenants. Banks have also agreed to strictly examine and continuously monitor field level practices of their assisted MFIs like adherence to KYC norms etc. Pursuant to initiatives of SIDBI, Regional chapters of "Lenders' Forum" have been set up for better co-ordination among lenders and closer interaction with the MFIs. So far, SIDBI has conducted 8 meetings of the Forum.

SIDBI, along with the industry associations for microfinance in India viz., MFIN and Sa-Dhan, has put in place the unified Code of Conduct for microfinance institutions in the country. The code mandates MFIs to provide low income clients with access to financial services that are designed to meet their needs and are delivered in a manner that is ethical, transparent, and respectful of client's dignity ensuring right to privacy of information. It is expected that the code will be instrumental in reinstating the faith of the stakeholders in the microfinance institutions and give the sector a much needed stimulus.

SIDBI has been involved in development of a Code of Conduct Assessment (COCA) Tool, which applies to providing credit services, recovery of credit, etc, for MFIs to assess their degree of adherence to the voluntary microfinance Code of Conduct formulated by the MFIs. Further, the Bank has issued guidelines to undergo COCA by five empanelled agencies, i.e. Access ASSIST, ICRA Management Consulting Services Ltd., Micro Credit Ratings International Ltd., Prime M2i Consulting Services Ltd. and SME Rating Agency of India Ltd. The Bank reimburses 75% of the cost of COCA subject to a maximum reimbursement of ₹1,50,000/-. A total of 61 assessments have since been undertaken and reports of 56 MFIs have been placed in the public domain. Looking at the greater significance of the exercise in the sector, the Bank has taken up a fresh round of COCA exercise for 16 MFIs including repeat assessments of 8 MFIs who had undergone COCA in the first phase through aforesaid agencies.

As part of its Responsible Lending initiatives under the World Bank Line of Credit, SIDBI has supported the India Micro Finance Platform (IMFP) developed by MIX to provide and disseminate various financial and operational information on Indian MFIs. It is a global, web-based, microfinance information platform, tailored for India. The MFIs are required to submit financial and operational data, at periodic intervals in a standardized format, thus enabling higher degree of transparency / disclosures with ease. The project is to expand the depth and breadth of publicly available data on Indian MFIs. The IMFP project has already resulted in enhanced data coverage for India's microfinance sector through growth in the number of reporting MFIs as well as development of granular, district-level data.

### **Initiatives in the underserved States including North-Eastern Region**

Taking cognizance of the regional growth asymmetry in the sector and with a view to upscaling and widening the outreach of the micro-finance operations, the Bank has been constantly taking several

proactive steps to increase the flow of assistance to hitherto underserved areas, viz. North Eastern Region (NER), and in States like Rajasthan, Uttar Pradesh, Madhya Pradesh, Uttarakhand, Bihar, West Bengal, Jharkhand, Odisha, Chattisgarh, etc. These include development of local MFIs, inducing larger MFIs from the Southern states to expand outreach in underserved areas, intensifying efforts in identifying suitable MFIs who have the potential of becoming long term partners and providing need based capacity building support to MFIs.

As on March 31, 2014, all the 84 MFIs having outstanding loans from SIDBI had a substantial part of their operations in the underserved states/areas of the country including North Eastern Region.

### 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 Micro Credit Scheme. The scheme, which was originally extended to cover the entire country, has been made applicable to the underserved States and underserved pockets/ districts in other states (with emphasis on SC, ST, Minority, OBC and women) with effect from July 01, 2008. The PRF corpus was available for a period of 5 years with effect from FY 2007 and aimed to cover 50 lakh beneficiaries throughout the country.

Cumulatively, as on March 31, 2014, the disbursement to eligible MFIs under PRF stood at ₹2,059.16 crore, entailing PRF requirement of ₹154.44 crore (being 7.5% of eligible loan disbursements). Government of India (GoI) had, upto March 31, 2014, released an amount of ₹116.10 crore under PRF besides interest credit of ₹32.92 crore. During the year, Govt. of India has allowed SIDBI to redeploy ₹57.72 crore available out of full repayment of loans covered under PRF earlier.

### India Microfinance Equity Fund

Govt. of India in the Union Budget 2011-12, announced the creation of "India Microfinance Equity Fund" (IMEF) with corpus of ₹100 crore, to be managed by SIDBI. The objective of the fund is to provide equity and quasi-equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. Subsequently, in the budget for FY 2013-14, an additional amount of ₹200 crore was announced by the Finance Minister for funding targeted MFIs.

Till the end of March 2014, the Bank has committed an amount of ₹126.75 crore to 45 MFIs under the Scheme. Disbursements are currently underway for the MFIs assisted out of IMEF, upon completion of necessary formalities, documentation and compliance of pre-disbursement / pre-investment conditions by the MFIs. Till March 31, 2014, an amount of ₹92.25 crore has been disbursed out of the committed amount.

### International Collaborations

- The Bank has signed agreement with Kreditanstalt fur Wiederaufbau (KfW), Germany for loan support of EUR 85 million and financial contribution of EUR 1.69 million for improving access to microfinance products in India among the poor, particularly women through MFIs.
- The Bank has entered into collaboration with Asian Development Bank (ADB) for loan support of USD 50 million which would provide SIDBI with long tenor funding to support the vital "missing middle" through specific financing



14th Post Graduation Convocation Programme of EDI

programs. The project covers the States of Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Uttar Pradesh and is aimed at putting in place financial literacy and other support measures for the low income women in select states.

- 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.
- The Bank has signed another agreement with KfW, Germany for loan support of EUR 100 million and financial contribution of EUR 0.50 million for assistance for ‘Missing Middle’ (i.e., loan between ₹50,000 to ₹10 lakh) of the MSME sector in India.

### Promotional & Developmental Initiatives

As a part of the new business model, SIDBI adopts a ‘Credit Plus’ approach by providing various Promotional & Developmental (P&D) support primarily aimed at capacity building of the MSME sector. The brief highlights of various P&D activities undertaken by the Bank are given below:

**i. Credit Advisory Centres :** With a view to mitigate the various challenges faced by MSMEs in Obtaining credit, SIDBI has set up Credit Advisory Centres (CACs) guiding new / existing entrepreneurs regarding availability of schemes of commercial banks, government subsidies / benefits, provide borrowers with debt counselling, answering queries raised by banks etc. The CACs have been servicing 306 clusters across the country in partnership with Industry Associations. The number of clusters covered would be increased over a period. For manning the CACs, SIDBI has appointed Knowledge Partners (KPs) who are retired Bank officials, suitably trained for the purpose. So far more than 8200 MSMEs have benefited through CACs.

**ii. Loan Syndication Services :** SIDBI has launched the Loan Syndication Services (LSS) with the objective of setting up an ecosystem in partnership with Banks, Rating Agencies and Accredited Consultants to ensure timely and adequate credit flow to the MSMEs by generating complete, rated and validated proposals to be offered to banks / FIs for consideration of assistance. The LSS has referred over 160 proposals to SIDBI and MoU Banks during the FY 2014.

**iii. Promoting youth entrepreneurship – smallB.in:** SIDBI has launched the website [www.smallB.in](http://www.smallB.in) which is a virtual mentor and handholding forum for the potential / budding and even existing entrepreneurs to set up new units and grow the existing ones. The website is quite exhaustive, covering various aspects such as scouting for business opportunities, understanding various forms of business organizations, legal basics, Business Plan preparation, understanding various requirements for obtaining credit from Banks / Financial Institutions, knowing Policies and Regulations, schemes and incentives offered by the Central and State governments etc. The website, thus, mitigates the hesitation of young potential budding entrepreneurs / individuals in starting their business and encourages entrepreneurship as an alternative avenue to job seeking.

**iv. Capacity Building of RRBs/UCBs/DCBs:** RRBs play an important role in providing credit to micro and small enterprises due to their proximity and presence in the rural/semi urban and remote areas. SIDBI initiated capacity building of RRBs/UCBs/DCBs with an objective to enhance the credit flow to micro enterprise sector. Four sensitization programmes have been organized, covering 27 RRBs and 10 UCBs. Based on the interest evinced, MoUs with 27 RRBs and 5 DCBs have been signed . After a detailed training

need analysis with a few banks, a comprehensive 2 days training module has been developed and pilot tested. Based on the training module, 'Training of Trainers' programmes have been conducted benefiting about 350 officials of 40 RRBs/UCBs.

**v. Rural Industrialization :** Micro Enterprise Promotion Programme (MEPP) aims at promoting viable micro enterprises leading to employment generation in semi urban/rural India by providing comprehensive enterprise support services through identified implementing agencies. The programme helps in identifying, motivating and guiding the entrepreneurs in setting up micro enterprises. MEPP has so far been implemented in 121 districts in 24 states as on March 31, 2014. Cumulatively, about 41000 enterprises have been promoted, including 1000 during the current year.

**vi. Entrepreneurship Development Programmes (EDPs) :** The Bank support to EDPs aim at building and nurturing a reservoir of entrepreneurs, while creating a cadre of bolstered entrepreneurs 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, minorities and SC/ST. As on March 31, 2014, the total number of EDPs supported by the Bank, since inception, for various target groups was 3028, benefiting more than 75,000 participants. The success rate of Bank supported EDPs has been in the range of 50% to 55%. Cumulatively, about 38000 participants have either set up their own units or have been gainfully employed in the sector.

**vii. Skill Development :** With a view to strengthening the technical and managerial capacities of the MSME entrepreneurs, the Bank supports reputed management/technology institutions to offer certain structured management/skill development programmes, viz. "Skill-cum-Technology Upgradation Programme" (STUP) and "Small Industries Management Assistants Programme" (SIMAP). As on March 31, 2014, the total number of STUPs and SIMAPs supported by the Bank since inception were 1,532 and 300, respectively benefiting about 41000 participants.

**viii. Cluster Development :** SIDBI has supported more than 85 Cluster Development Programmes (CDPs) in various clusters all over India. The paradigm shift in the Bank's 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.

**ix. Minority Group Development :** As per the recommendations of Sachar Committee, the field offices have been advised to cover maximum number of participants from minority communities under various P&D activities. The MEPP in the Government notified minority focused district of Kishanganj in Bihar is under implementation, wherein about 160 units were set up during the year. Cumulatively, about 6200 persons from minority community have been directly benefited from various developmental activities so far.

**x. Promoting Innovation and Incubation :** With a view to identify and commercialise grassroots innovations all over the country, the Bank 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. The fund has supported about 194 innovations as on March 31, 2014.

Further, with a view to foster successful entrepreneurs and develop industry in the knowledge and technology based areas in the small enterprises, SIDBI had supported setting up of SIDBI Innovation and Incubation Centre (SIIC) at Indian Institute of Technology, Kanpur in January 2002. SIIC has so far incubated 48 start-ups in diverse areas of state of the art technologies out of which 22 have already graduated. The Centre was awarded 'National Award for Technology Business Incubator' for the year

2011 by National Science & Technology Entrepreneurship Development Board, Department of Science and Technology.

### **xi. Poorest State Inclusive Growth**

Poorest State Inclusive Growth (PSIG) Programme being implemented by SIDBI is a seven year programme aimed at enhancing the income and employment opportunities of poor women and men in the 4 low income states (Bihar, Odisha, Madhya Pradesh and Uttar Pradesh) by enabling them to participate and benefit from wider economic growth. During the year, the following key initiatives were undertaken under the programme :

- Setting up of a Liquidity Fund (approximately ₹100 crore) to improve liquidity in the micro finance sector as well as to encourage the bankers to enhance lending to the MFIs by creating a demonstration effect. The Fund offers risk coverage to institutions for their lending to MFIs in PSIG states as also provide debt funds to smaller MFIs directly for the purpose of on-lending. Further, soft loan is offered under the fund to medium and large MFIs in areas such as expansion of branch network in PSIG states, adoption of technology based models for delivery of financial services to reduce operating costs, pilot testing and roll out of new & innovative product and expansion of other financial services (viz. micro pension, insurance, etc.) etc.
- Providing capacity building grant assistance to MFIs operating in PSIG states
- Setting up of a National Think Tank consisting of eminent experts in the microfinance/ development sector to provide overall strategic direction and guidance to the various initiatives.
- Supporting Sa-Dhan, a prominent network of MFIs, for launching a coordinated sectoral initiative with Micro Finance Institutions Network (MFIN) towards re-building the credibility of the Micro Finance sector by interacting with stakeholders, such as, State Governments, Banks etc.
- Commissioning a study of leading Bank Correspondent models on the delivery structure, cost-effectiveness and viability, scale and efficiency, etc. to identify the critical success factors in Bihar.

### **xii. 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. The major initiatives are detailed as under:

- Under the Bank's Micro Enterprises Promotion Programme (MEPP), 23 districts in NER have so far been covered including 1 MEPP sanctioned in FY 2013-14 for Sonitpur district of Assam. These MEPPs have cumulatively resulted in promotion of more than 2,400 units.
- The Bank has supported 43 Cluster Development Programmes (CDPs) in different states of NER covering activities like bamboo mat weaving, carpet weaving, handicrafts, handloom weaving, pottery, bee keeping, making fish feed products, etc. These cluster development initiatives have benefitted around 6,400 artisans.
- The Bank has conducted more than 339 EDPs in NER benefiting over 15,000 participants. The Bank has so far conducted about 132 Skill cum Technology Upgradation Programmes (STUPs) / Skill Development Programmes benefiting over 4500 participants in the entire NER.
- A Memorandum of Understanding was executed with NEDFi in March 2012 for providing various financial and developmental services including MSME finance, Micro Finance and also for undertaking various P&D activities in NER. Under this arrangement, 8 Credit Counseling Centres/ Business Facilitation Centre (BFC) have been opened in Shillong (Meghalaya), Silchar (Assam), Aizawl (Mizoram), Gangtok (Sikkim), Agartala (Tripura), Kohima (Nagaland), Itanagar (Arunachal Pradesh) and Imphal (Manipur).



**Impact of SIDBI's Assistance**

## Impact of SIDBI's Assistance

As an apex institution, SIDBI is playing a very proactive role in reaching out to MSMEs by extending financial and developmental support services to MSMEs. Its economic, social and environmental impact include :

### Economic Impact

- Cumulative disbursement of SIDBI under both its indirect and direct finance including niche financing like risk capital, sustainable finance, energy efficiency and cleaner production, technology innovation, receivable financing amounted to ₹3.37 lakh crore benefitting about 340 lakh persons as on end-March 2014.
- To bring balanced regional development, SIDBI has taken steps to increase credit flow to relatively less developed industrial states. Over the years, there is increase in direct credit flows to many of the underserved states. During FY 2013-14, disbursement under direct finance was ₹12,613 crore. The important development under direct finance schemes was higher flow of credit to industrially less developed states of Chhattishgarh [177%], Himachal Pradesh [327%], Uttar Pradesh [131%], Uttarakhand [265%], Rajasthan [8%] and Odisha [13%]. The growth in direct assistance to the industrially less developed states is continuing over the years. There was multiple increase in assistance for majority of these states over the period FY 2005-14. These include Odisha [31 times increase] followed by Chhattishgarh [12.8], Rajasthan [5.7], Uttarakhand [5.3], Madhya Pradesh [4.9], Jharkhand [4.4], Uttar Pradesh [ 4.0], West Bengal [ 11.90], etc over the period of FY 2005-14.
- Similarly, in the case of indirect finance, there has been increase in credit flow to less developed states and districts. This has contributed towards mitigating imbalances in regional development.
- Furthermore, SIDBI's micro finance support is mainly in the rural areas with increasing thrust on unserved and underserved states. The Portfolio Risk Fund, India Microfinance Equity Fund, Poorest States Inclusive Growth Programme, etc., aim at increasing credit flow to these underserved areas/states. The technical assistance and promotional measures by SIDBI improve access to microfinance products/assistance to hitherto underserved areas and economically less developed areas/states.
- The Bank accords special and focused attention to the development of North Eastern Region (NER) in terms of micro finance, rural industrialisation, development of handicraft, cluster development, entrepreneurship development, marketing support, etc.
- Through its Micro Enterprise Promotion Programme [MEPP], the Bank has cumulatively promoted about 41,000 enterprises as on end-March 2014. In the NER, 23 districts have so far been covered. These MEPPs in NER have cumulatively resulted in promotion of about 2,425 rural enterprises.
- SIDBI assistance under its direct finance schemes basically aims at filling the credit gaps and supplementing/complementing lending by banks.
- As on March 31, 2014, the total number of EDPs supported by the Bank, since inception, for various targets groups was 3,028, benefiting more than 75,000 participants.
- Cumulatively, about 38,000 participants have either set up their own unit or have been gainfully employed in the sector. Since inception, the Bank has supported more than 339 EDPs in NER benefiting over 15,000 participants.

- As on March 31, 2014, the total number of STUPs and SIMAPs supported by the Bank since inception were 1,532 and 300 respectively, benefiting about 41,000 participants. The programmes have benefited a large number of young bright potential entrepreneurs and most of the participants have joined the MSME sector.
- SIDBI has supported more than 85 Cluster Development Programme (CDPs) in various clusters all over India. These cluster development initiatives have benefitted around 6,400 artisans.

### Environmental Impact

Recognizing the need for environmentally friendly development of MSME sector, SIDBI's business strategy is to promote energy efficiency [EE] and cleaner production (CP) in the MSME sector. The impact of SIDBI's sustainable initiatives is mentioned below:

- As on March 31, 2014, an aggregate assistance of approximately ₹4,800 crore has been disbursed to more than 6,600 MSMEs for promoting EE & CP, which have resulted in saving of 920 Million Kilo Watt Hour (MkWh) of electricity and a reduction of 850 kilo tons (kT) of CO<sub>2</sub> annually.
- Certain innovative financing products like Loans for CNG Taxis / CNG Auto Rickshaws, Micro Loans for Solar Lanterns, Channel financing through NBFCs, Structured arrangement with Original Equipment Suppliers (OEMs), Financing Green Buildings etc. have been adopted. The initiative has helped in promoting clean technology and controlling pollution.
- SIDBI has contracted LoCs aggregating to an amount of EUR 53.74 million from KfW for promoting investment in cleaner production options in the MSME sector. The main objective of the line is to achieve a reduction or avoidance of emission and pollution through cleaner production investments. Investment such as Common Effluent Treatment Plants (CETPs), Waste Treatment, Storage & Disposal Facilities, Waste recycling, etc., benefitting large number of MSMEs in the industrial clusters are also eligible under the assistance. Individual MSMEs going in for investments that will result in the pollution control, waste reduction, improvement in raw material productivity etc., are eligible to be covered under the line. So far, 323 MSMEs have been assisted with an aggregate term loan of more than ₹402 crore.
- SIDBI along with Bureau of Energy Efficiency (BEE) are executing a Global Environmental Facility (GEF) funded World-Bank project, viz. "Financing Energy Efficiency at MSMEs" in five MSME clusters viz., Kolhapur- foundry, Tirunelveli- limekilns, Ankleshwar- chemicals, Pune- forging and Faridabad- mixed cluster. The project is expected to make 500 MSMEs energy efficient.

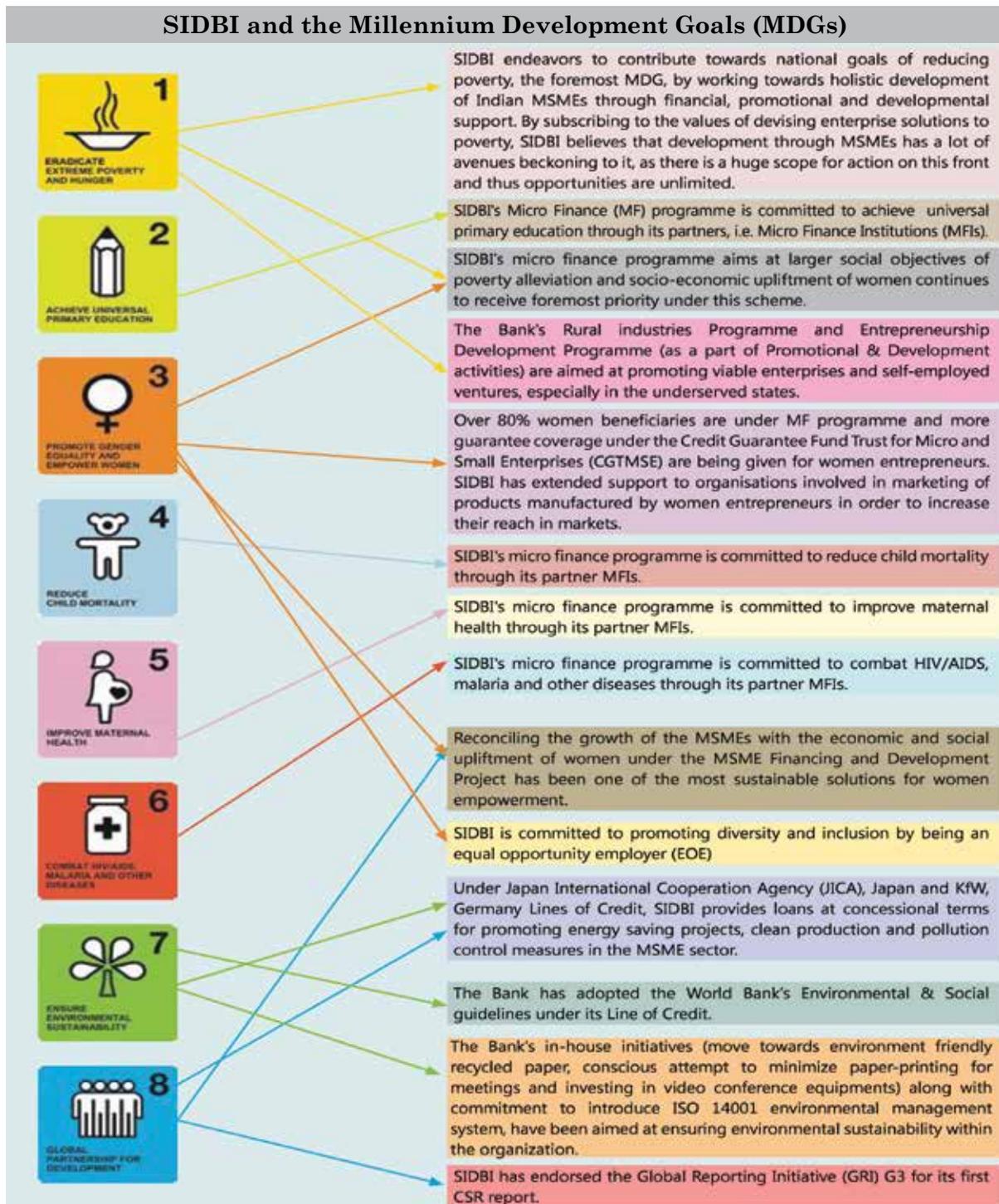
### Social Impact

Microfinance, in general has proven to be one of the most efficient and effective tools of economic development of the poorer sections of the society. Cumulatively, the assistance through SIDBI has benefited around 326 lakh (approx.) disadvantaged people, most of them being women. SIDBI's micro finance is being increasingly oriented towards achieving Millennium Development Goals (MDGs) (Annexure). As per an impact study conducted by SIDBI in the year 2008, microfinance has helped the poor in accessing financial services, improving the quality of their life through creation of alternative additional livelihood opportunities, reducing their dependence on the exploitative informal sources of credit and improvement in health and education parameters also. Some of the highlights of the Impact Study are listed below:

- SIDBI's micro finance has effectively reached out to the underprivileged sections of society with SC/STs and Backward Classes accounting for approximately 73% of the sample.

- The programme has predominantly reached out to the rural areas with two-third of the sample households belonging to such areas.
- Women constituted around 80% of sample clients.
- The outreach of the programme is generally focused on poorer areas with 30% of clients being poor and 37% being the vulnerable borderline poor.

Annexure





## Management and Corporate Governance

## Management and Corporate Governance

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

### Board of Directors / Committees of the Board

The Small Industries Development Bank of India (Amendment) Act, 2000 provides for a fifteen-member Board of Directors. Out of these, eight Directors are appointed / nominated by the Central Government comprising Chairman and Managing Director (CMD), two whole time Directors, two Government officials and three experts (including one from State Financial Corporations) having special knowledge or professional experience. Out of the remaining seven Directors, three are nominated by the three largest shareholding institutions, banks and insurance companies owned or controlled by the Central Government, four are to be elected by the public shareholders or can be co-opted by the Board until assumption of charge by the elected Directors. The Board, as on July 31, 2014, comprised nine Directors, including one Whole Time Director.

In terms of Government of India Notification dated November 8, 2013, Shri Sushil Muhnot, Chairman & Managing Director (CMD) was appointed as CMD of Bank of Maharashtra. Accordingly, Shri Muhnot demitted the office as at the close of business on November 8, 2013.

Further, Shri T.R. Bajalia, Deputy Managing Director (DMD), on attaining the age of superannuation, demitted the office as at the close of business on December 31, 2013.

In exercise of powers conferred by Section 6(1)(c) of the Small Industries Development Bank of India Act, 1989, the Central Government, vide notification dated June 10, 2014, has nominated Shri Alok Tandon, Joint Secretary, Department of Financial Services, Ministry of Finance as a Director on the Board of SIDBI, with immediate effect vice Shri Arvind Kumar.

The Board of SIDBI has co-opted Shri Satyananda Mishra, former Chief Information Commissioner & Secretary to Government of India and Shri R. Ramachandran, former CMD, Andhra Bank, as Directors under section 6(1)(f) of SIDBI Act for a period of three years with effect from October 3, 2013.

S/Shri Prakash Bakliwal and Satyanarayana Rao, nominated as Directors u/s 6(1)(e) of the SIDBI Act by the Central Government, retired from the Board of SIDBI with effect from May 12, 2014, on completion of their tenure. Further, S/Shri P.A. Sethi and Ravi Narain, co-opted as Directors u/s 6(1)(f) of the SIDBI Act, tendered their resignations from the Board with effect from June 26, 2014, which was accepted by the Board.

The Board placed on record its high sense of appreciation of the valuable contributions made by the Directors who retired from the Board of SIDBI.

With the objective of giving focussed attention to various important issues, the Board has constituted eleven Committees viz., Executive Committee (EC), Audit Committee (AC), Risk Management Committee (RiMC), Committee for Supervision of SFCs (CfS), Special Committee to Monitor Large Value Frauds (SCMLVF), Information Technology Strategy Committee (ITSC), Customer Service Committee (CSC), HR Steering Committee (HRSC) Recovery Review Committee (RRC), Premises Committee and Remuneration Committee.

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 Vertical and reviewing its major observations, also provides guidance in matters relating to finalisation of accounts of the Bank and observations made in RBI Inspection report. The RiMC lays down policy and strategy for Integrated Risk Management of the Bank. The CfS guides the Bank in respect of all the policies / matters pertaining to State Financial Corporations.

With a view to provide focused attention on monitoring of frauds involving amounts of rupees one crore and above, SCMLVF has been constituted in terms of the guidelines of Reserve Bank of India. The ITSC gives direction to the Bank's IT function, especially with regard to IT vision, policy and strategy so as to align with business objectives. In addition, the Committee also guides the Bank in framing its long term IT plan and provides oversight of IT implementation and management.

To enable the Bank to formulate policies and assess the compliance thereof internally with a view to strengthening the corporate governance structure and also to bring about ongoing improvements in the quality of customer service provided by the Bank, the Board has constituted CSC. HRSC has been constituted to guide and give recommendations to the Board in HR matters. Further, to review all NPA cases having principal outstanding of ₹3 crore and above, RRC has been constituted.

The main functions of Premises Committee, among others, include approval of larger construction projects, acquisition of properties, undertaking major renovation / repair works of the Bank's properties, and annual Expenditure Budget (Capital and Revenue) pertaining to Bank's Premises Vertical.

Minutes of the meetings of the Committees, containing decisions made, are submitted to the Board.

The Board held eight meetings during the year while the Committees of the Board viz., the Executive Committee, Audit Committee, Risk Management Committee, Committee for Supervision of SFCs, Special Committee to Monitor Large Value Frauds, Information Technology Strategy Committee, Customer Service Committee, HR Steering Committee and Recovery Review Committee held ten, six, three, two, three, four, two, three and three meetings respectively. Besides, SIDBI held its 16th Annual General Meeting on June 27, 2014 at Lucknow.

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

### Shareholding Pattern

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

### Asset Liability Management Committee

In terms of the Asset Liability Management Policy of the Bank, the Asset Liability Management



Finnoviti Award

Committee (ALCO) is headed by the Chairman & Managing Director and comprises Deputy Managing Directors, Executive Director and other senior executives of the Bank heading Risk Management, Credit, Resources & Treasury and Information Technology Verticals as its members. ALCO, inter alia, reviews and monitors the liquidity risk and interest rate risk in the Bank. During FY 2013-14, the Committee met on 10 occasions and deliberated on various issues such as revision in Prime Lending Rate (PLR) of the banks, review of Interest Rate under various schemes of assistance, status of resource mobilization, revision in the interest rate structures of Fixed Deposits Scheme, borrowing through CPs, bonds and term loans from banks, movement in Net Interest Income (NII) and Net Interest Margin (NIM) of the Bank and hedging of drawals under foreign lines of credit, etc.

### **Investment Committee**

The Investment Committee of the Bank formulates strategies as well as recommends various investment options with regard to the Bank's investment portfolio within the scope of the Investment Policy of the Bank and relevant RBI guidelines issued from time to time. The Investment Committee met 7 times during FY 2013-14 to, inter alia, deliberate upon various investment and divestment proposals, sale of government securities from AFS, shifting of government securities from HFT to AFS, review of mutual fund exposure limits, review of equity investments acquired through primary market, and other investment related issues.

### **Enterprise Risk Management Committee**

The Enterprise Risk Management Committee (ERMC) is responsible for the overall implementation and supervision of the risk management framework in the Bank. ERMC is responsible for providing recommendations to formulate the Credit and Operational Risk Management policies and strategies for the Bank and manage the risks on the asset book.

### **Risk and Information Security Committee (RISC)**

Risk and Information Security Committee [RISC] is a cross functional committee of executives which looks after information security [IS] and mitigate various IS and IT related risks. RISC ensures alignment of the security programme with organizational objectives. It is also instrumental in achieving organisational change toward a culture that promotes good security practices and compliance with policies.

### **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. During the FY 2013-14, 433 audits comprising 131 Operational Audits, 2 Special/Snap Audits, 12 Transaction Audits of RMV, 1 Transaction Audit of BKC, 12 Concurrent Audits of MMO & DRO, 189 Credit Audits and 275 Concurrent Audits were completed.

Audit Vertical co-ordinates compliance of observations made by Statutory Auditors and RBI inspection team in close coordination with Corporate Accounts Vertical and RBI Inspection Cell. During an audit activity, inter alia, compliance to KYC guidelines, verification of end use of funds, creation of assets, adherence to policy guidelines, systems & procedures etc. are given due focus.

### **Human Resources Development – An Overview**

As on March 31, 2014, the Bank had on its rolls 1043 active full time staff comprising 880 officers, 99 Class III staff and 64 Subordinate staff. Of the total staff, 185 belong to Scheduled Castes (SCs),

76 to Scheduled Tribes (STs) and 159 to Other Backward Classes (OBCs). The staff strength included 9 employees in ex-servicemen and 14 employees in Persons with Disabilities (PwD) categories. The strength of women employees was 224.

The Parliament has enacted the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 which has come into force with effect from December 09, 2013. In terms of the provisions of the said Act, the Bank has constituted Internal Complaints Committees (ICC) for redressal of complaints of sexual harassment and for matters connected therewith or incidental thereto at five centres, viz. Lucknow, Mumbai, Chennai, Kolkatta and New Delhi. No complaint of sexual harassment was received by the Committees during the year.

### Training & Career Development

The Bank recognizes that employee learning and development is a shared responsibility of both the institution and the employee. In view of this, the Bank has been providing opportunities to its staff to encourage growth and career development, improve skills and knowledge of its employees.

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 function has been streamlined to give an organizational focus to the same and to ensure comprehensive all-round development of the staff.

During the year, Bank has made 1,578 nominations for various inland, in-house and international training programmes organized by renowned training / academic institutions, out of which 257 nominees were women and 672 nominees belonged to reserved categories. 26 officers were nominated to attend international training programmes in order to familiarize them with the current international practices in different areas viz. Banking and Finance, Banking & Financial Technology Innovation, Forex, Corporate Excellence, Energy Conservation, Intelligence and Security Management, etc.

### Staff Welfare Activities

During the FY 2013-14, the Bank continued its support for 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 staff and their families.

### Computerisation

ITV played a major role for leveraging technology in business operations of the Bank during the year. Emphasis was given to streamline and stabilize several systems. Use of Direct Finance Software was broadened to handle the entire Direct Credit Loan portfolio of the Bank in fully integrated environment. In-house IT solutions for various new activities viz., Resource Management software for fixed deposit & MSME line of deposits, Machinery Supplier database, Sick Unit Monitoring as per RBI guidelines, Simplified Monitoring of standard



Inspection visit by Committee of Parliament on Official Language

accounts, Seller-wise Receivable Finance, e-discounting of bills, monitoring of high value and exceptional transactions, etc. were developed and implemented. Server consolidation was done for Bank's e-mail solution and access extended through hand-held smart devices to ensure better availability and effectiveness of mailing solution. Successful live Disaster Recovery Test (DRT) was carried out twice during the year to test preparedness of the Bank for untoward incidents. Need based IT infrastructure upgradation was done to keep pace with the changing technology.

### **Activities of Vigilance Vertical**

The vigilance set-up in SIDBI is headed by a full-time Chief Vigilance Officer [CVO] who is assisted by Regional Vigilance Officers of respective Regions. The Vigilance Vertical 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.

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 Vertical also acts as the nodal Vertical for reporting, monitoring and follow-up of frauds perpetrated on the Bank by unscrupulous borrowers, outsiders, staff etc. Further, the Vertical also acts as the nodal Vertical for evaluating the role of third party entities [TPEs] 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 Vertical 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 Vertical carries out Chief Technical Examiners Office [CTEO] type inspections periodically, on sample basis, to ensure that the procurement of goods and services is being carried out as per the norms.

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

During the year 2013-14, Vigilance Vertical of SIDBI received the "Vigilance Excellence Award" in the Banking Sector category instituted by Institute of Public Enterprises, Hyderabad. The award came as a recognition of the good work done by SIDBI in the field of Vigilance Administration and SIDBI emerged the winner out of a field comprising top Public Sector Banks of the country.

### **Implementation of the Official Language Policy in the Bank**

All offices of the Bank issued the documents enumerated under section 3(3) in bilingual and ensured implementation of Rule 5 of the Official Language Rules 1976, by responding in Hindi to the letters

received or signed in Hindi. The originating correspondence of the Bank's offices located in the regions "A", "B" and "C" stood at 96%, 90% and 77% as against the target of 100%, 90% and 55% stipulated by the Government. Likewise, the level of Hindi noting remained at 85%, 67% and 52% against the target of 75%, 50% and 30% for the above regions, respectively. Major items of Official Language implementation at the HO verticals and all the Regional Offices were reviewed in the meetings of the Official Language Implementation Committee at the Head Office, and constant guidance through letters, e-messages etc. was provided to them. As many as 39 offices of the Bank have been notified in the official gazette of India under Rule 10(4) of the Official Language Rules 1976. The staff-members (except those in class-IV) possessing a proficiency of Hindi in these offices were issued individual orders during the year to carry out their entire official work in Hindi. A roster of the staff not knowing Hindi has been prepared and arrangements have been made to impart regular Hindi training to them either through the Hindi Teaching Scheme or Central Hindi Training Institute or through correspondence.

All staff members having working knowledge of Hindi were nominated to Hindi work-shops so as to train them in carrying out their routine official work in Hindi. As a major portion of the Bank's transactions takes place through computers, sessions on Unicode featured essentially in each work-shop, which laid more emphasis on practice. The Regional offices conducted workshops for the staff attached to the branches under their jurisdiction.

The quarterly Hindi magazine 'Sankalp' continued to be published regularly with the objective of motivating the staff members of the Bank to read and write in Hindi. A total of 66 issues of the magazine have been brought out so far. This year also all offices of the Bank celebrated Hindi Fortnight to commemorate the Hindi Divas, which was marked with several engrossing activities and competitions. In order to create a competitive environment for working in Hindi, two competitions, viz., inter-office Official Language Shield competition and Sarvottam Rajbhasha Pratinidhi Yojana have been devised by the Bank.

The Bank has been conducting an all India SIDBI Hindi Essay Competition for the past few years which aims at promoting Hindi in the Banks and the Financial Institutions on an all India basis. The Third Sub-Committee of the Parliament made an inspection visit of the Head Office, Lucknow and Nashik Branch Office and expressed its satisfaction on the state of Official Language implementation in both these offices. The Evidence and Draft Committee of the Parliamentary Committee on Official language also held a discussion with the officers of our Head Office and Ahmedabad Regional Office. The Joint Director (Rajbhasha), Department of Financial Services, Ministry of Finance, GOI also carried out an inspection of the Head Office. Besides, the Head Office and the Regional Offices also conducted 39 Official Language-related inspections.

The Bank bagged a consolation prize from The Reserve Bank of India for excellence in the field of Official Language implementation in the region 'C'. The Bank's Chennai Regional Office, Pune Regional Office, Indore Regional Office, Mumbai Regional Office and Ahmedabad Regional Office received prizes from their respective Town Language Implementation Committees/ State Level Bankers Committees for excellence in the area of Official Language implementation.

### **Implementation of Right to Information Act, 2005**

The Bank is implementing the Right to Information Act, 2005. Accordingly, the Bank has displayed in its website ([www.sidbi.in](http://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 information displayed on its website is regularly updated. The Bank has designated a Central Public Information Officer (CPIO),

Alternate Central Public Information Officer, Central Assistant Public Information Officers and First Appellate Authority and Alternate First Appellate Authority, the details of which are available on the Bank’s website. In terms of the directives of Central Information Commission (CIC), the Bank has also designated a Transparency Officer for the better implementation of Section 4 of the Act with a view to promote congenial conditions for timely response by CPIO to RTI queries. During the year, the Bank received 307 applications seeking information and all the applications were disposed off as per the provisions of the Act within the stipulated time.

During the year, 40 appeals were made to the First Appellate Authority (FAA) of the Bank, which were disposed off within the stipulated time as per the provisions of the RTI Act. Against the decisions taken by FAA, two 2<sup>nd</sup> appeals were preferred before the Central Information Commission. There has been no delay in either furnishing information by the CPIO or in deciding appeals by the FAA. No officer of the Bank has been fined /penalized for violation of the provisions of the RTI Act.

### Debenture Trustees

Presently, there are two debenture trustees for SIDBI’s outstanding bond issues, viz. Axis Bank Limited and AllBank Finance Ltd. Their contact details are:

ISIN: INE556F08ID4, INE556F08IO1, INE556F08IP8	For rest of the ISINs
Axis Bank Limited, Axis House, 2 <sup>nd</sup> Floor, “E”, Bombay Dyeing Mill Compound, Pandurang Budhkar Marg, Worli, Mumbai. Tel: 022-24255215/16 Fax: 022- 24254200 E-mail: <a href="mailto:debenturetrustee@axisbank.com">debenturetrustee@axisbank.com</a> Contact Person: Mr. Kanhu Harichandan	AllBank Finance Ltd., Allahabad Bank, II Floor, 37 Mumbai Samachar Marg, Fort, Mumbai-400 023. Tel: 02222626283 Telefax: 022 -22677552 Contact Person: Ms. Shreya Shah, Company Secretary.

### SIDBI MSME International Training Institute

SIDBI, as an apex institution for MSME sector, has set up “SIDBI MSME International Training Institute (SITI)” at Bhubaneshwar. SITI aims at meeting the training and development needs of its staff, bank officers, financial institutions, MSMEs and other stakeholders dealing with MSMEs. The Institute has since commenced the training initiatives/operations since May 24, 2013.

### 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 Cooperation Agency (JICA); Department for International Development (DFID), U.K; Kreditanstalt fur Wiederaufbau (KfW), Germany; The Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), Germany; International Fund for Agricultural Development (IFAD), Rome; French Development Agency (Afd), France and Asian Development Bank (ADB) for their continued resource support and technical co-operation. The Board places on record its appreciation for the co-operation extended to SIDBI by banks, state level institutions, industry associations and other stakeholders engaged in the promotion and development of the MSME sector.

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



## Subsidiaries and Associate Organisations of SIDBI

## Subsidiaries and Associate Organisations of SIDBI

### SUBSIDIARIES

#### I. SIDBI Venture Capital Limited

SIDBI Venture Capital Limited (SVCL) is an Investment Management Company for managing Venture Capital Funds. Over the years, SVCL has evolved into one of the leading institutional investment management companies in India managing Venture Capital Funds (VCFs) and Alternative Investment Funds (AIF) having focus on the small and medium sector companies in India.

It was established in 1999 with the ₹100 crore National Venture Fund for Software and IT Industry (NFSIT). In 2004, the ₹500 crore SME Growth Fund was set-up and the ₹671 crore India Opportunities Fund was set-up in the year 2012. During the year, the fourth fund viz., the approx. ₹450 crore Samridhi Fund with a focus on fostering inclusive growth in the 8 poorer states of India viz. Bihar, Madhya Pradesh, Odisha, Uttar Pradesh, Rajasthan, Jharkhand, Chhattisgarh and West Bengal commenced operations.

Since inception, SVCL has continued to be a source of growth capital to high-quality, growth-oriented, primarily micro, small and medium sized companies (MSMEs) across diversified sectors. It has so far invested in more than 70 early and growth stage companies from diversified sectors such as IT/ITES, services, retail, pharma, auto components, biofuels, textile & garments, logistics etc. It has also fully or partially divested its investment in 43 of 56 companies of its first 2 VCFs viz. NFSIT and SGF. It has recovered ₹593 crore by way of disinvestment of corresponding investment of ₹305 crore. It has also distributed a sum of ₹500 crore to its investors (including tax paid on their behalf) in these 2 VCFs.

#### National Venture Fund for Software & Information Technology Industry (NFSIT)

NFSIT is a close ended venture fund established in August 1999. The end of Fund life is in August 2016. The fund has a committed corpus of ₹100 crore, the contributors being Ministry of Communications and Information Technology (₹30 crore), IDBI (₹20 crore) and SIDBI (₹50 crore). The main objective of establishing the fund was to provide venture capital (VC) support by way of equity and equity linked instruments to unlisted SME enterprises in the areas of software and information technology.

The fund had invested ₹84.40 crore in 31 companies with average investment per unit being less than ₹3 crore. The units were geographically spread all over India covering a wide range of IT industries namely products, services, internet related businesses, IT training, IT enabled services, etc. The fund has divested from majority of its portfolio companies and has returned ₹219 crore (including tax paid on their behalf) by way of redemption of units as well as profits to the contributors and yielded a portfolio IRR of 16.79% upto March 2013. The investors obtained a post-tax rate of return of 8.23% p.a. upto March 2013. NFSIT investments have led to establishment of hi-tech enterprises giving employment to technology work force in the country, besides earning precious foreign currency earnings from exports and establishing environment friendly processes.

The spin-off impact of NFSIT investment can be assessed from the fact that these investee companies have enabled about ₹600 crore of foreign investment into the country through raising of additional capital from foreign venture capital funds and acquisitions by overseas companies.

### **SME Growth Fund (SGF)**

SME Growth Fund (SGF) is a 8 year close ended Venture Capital 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. The fund life of SGF has been extended upto September 2014.

SGF has completed its investment phase. It has invested ₹456.09 crore in 25 companies in diverse sectors. It has also exited from investments and continue to exit on availability of suitable opportunities. As at March 31, 2014, SGF has exited fully/partly from 14 companies. It has received ₹380 crore by disinvesting original investments aggregating to ₹237 crore at an IRR of 16.86% on its exited portfolio. Till date, the Fund has distributed ₹282.09 crore. Further, an amount of ₹63 crore has been retained by the fund, towards disputed tax liabilities and probable penalties. SGF investee companies have enabled over ₹1,000 crore of foreign investment into the country through raising additional capital from foreign venture capital funds and acquisitions by overseas companies. A sum of ₹287 crore (about 63%) was invested in MSMEs / SSIs.

### **India Opportunities Fund (IOF)**

IOF is a close ended venture fund with a life of 10 years established in August 2011. The fund has done a final closure in April 2012 with a corpus of ₹671 crore. The contributors of IOF are SIDBI, LIC, Canara Bank, Technology Development Board (TDB) and other leading Indian commercial banks and insurance companies. IOF is a sector agnostic fund focused mainly on meeting growth capital needs of India's growing and unlisted MSMEs operating in emerging sectors such as educational services, IT/ITES, light engineering, clean tech, agro-based industries, logistics, infrastructure etc. IOF will also invest in early, growth as well as late stage companies selectively.

As of March 31, 2014, IOF has made commitments worth ₹182 crore in 15 companies out of which investments to the tune of ₹58 crore in 9 companies has been completed. All investments are in MSMEs.

### **Samridhi Fund (SF)**

Department for International Development (DFID) is a Department of the United Kingdom (UK) Government entity that manages Britain's aid to poor countries. DFID has decided to provide



CGTMSE meet at Varanasi

support upto £ 65 million in India over 7 years under its Poorest States Inclusive Growth (PSIG) Programme through SIDBI (£ 30 million) and SVCL (£ 35 million).

The primary investment focus of the fund is early and growth stage investments in companies that are economically viable, provide access to markets for the poor, socially relevant and impact the poor as producers / consumers and/or employees and have economic impact, with target beneficiaries in the 8 poorer states of India viz. Bihar, Madhya Pradesh, Odisha, Uttar Pradesh, Rajasthan, Jharkhand, Chhattisgarh and West Bengal.

DFID, United Kingdom is a major contributor with a 35 million GBP (approx. ₹350 crore) contribution. SIDBI has contributed ₹50 crore. LIC of India and United India Insurance Company (UIIC) have agreed to contribute ₹40 crore and ₹10 crore respectively. During 2013-14, the Fund has committed investments of ₹111 crore to 7 companies and invested ₹39 crore in 5 companies. All investments till date are in MSMEs.

### Balance-Sheet of SVCL

The abridged Balance Sheet as at March 31, 2014 and Statement of Profit and Loss of SVCL for the period April 01, 2013 to March 31, 2014 are given in the following tables:

**Table: 6.1 Abridged Balance Sheet of SVCL**

(₹ lakh)

As on March 31, 2013 (Audited)	Abridged Balance Sheet of SVCL	As on March 31, 2014 (Audited)
	<b>EQUITY &amp; LIABILITIES</b>	
1,500.00	Share capital	1,500.00
881.31	Reserves and Surplus	1,102.37
34.88	Non - Current Liabilities	96.14
786.86	Current Liabilities	787.35
<b>3,203.05</b>	<b>Total</b>	<b>3,485.86</b>
	<b>ASSETS</b>	
2,103.00	Non - Current Assets	2,227.49
1,100.05	Current Assets	1,258.37
<b>3,203.05</b>	<b>Total</b>	<b>3,485.86</b>

Table: 6.2 Abridged Statement of Profit &amp; Loss of SVCL

(₹ lakh)

For the year ended March 31, 2013 (Audited)	Abridged Statement of Profit & Loss of SVCL	For the year ended March 31, 2014
	<b>REVENUE</b>	
1,443.56	Revenue from operations	1,539.49
119.05	Other Income	74.62
<b>1,562.61</b>	<b>Total</b>	<b>1,614.11</b>
	<b>EXPENSES</b>	
602.40	Operating expenses	613.78
7.46	Depreciation	6.34
<b>609.86</b>	<b>Total</b>	<b>620.12</b>
<b>952.75</b>	<b>Profit Before Exceptional Items and Tax</b>	<b>993.99</b>
2.40	Add: Exceptional Items	0.44
0.90	Less: Prior Period Adjustments	0.15
<b>954.25</b>	<b>Profit Before Extraordinary Item and Taxation</b>	<b>994.28</b>
2.00	Less: Extraordinary item (provision for diminution in the value of investments)	0.00
<b>952.25</b>	<b>Profit Before Taxation</b>	<b>994.28</b>
320.00	Current tax	327.00
(5.20)	Deferred tax	7.50
0.00	Excess provision for Income Tax	0.00
<b>637.45</b>	<b>Profit / (loss) for the period</b>	<b>659.78</b>

## II. SIDBI Trustee Company Limited

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

**Balance-Sheet of STCL**

The abridged Balance Sheet as at March 31, 2014 and Statement of Profit and Loss for the period April 01, 2013 to March 31, 2014 for STCL are as given below :

**Table 6.3: Abridged Balance Sheet of STCL** (₹ lakh)

As on March 31, 2013 (Audited)	Abridged Balance Sheet of STCL	As on March 31, 2014 (Audited)
	<b>EQUITY &amp; LIABILITIES</b>	
5.00	Share capital	5.00
393.90	Reserves and Surplus	455.58
0.00	Non - Current Liabilities	0.00
0.74	Current Liabilities	0.73
<b>399.64</b>	<b>Total</b>	<b>461.31</b>
	<b>ASSETS</b>	
3.31	Non - Current Assets	55.85
396.33	Current Assets	405.46
<b>399.64</b>	<b>Total</b>	<b>461.31</b>

**Table 6.4: Abridged Statement of Profit & Loss of STCL** (₹ lakh)

For the year ended March 31, 2013 (Audited)	Abridged Statement of Profit & Loss of STCL	For the year ended March 31, 2014 (Audited)
	<b>REVENUE</b>	
56.82	Revenue from operations	58.93
36.21	Other Income	36.20
93.03	Total	95.13
	<b>EXPENSES</b>	
5.97	Operating expenses	6.45
<b>5.97</b>	<b>Total</b>	<b>6.45</b>
<b>87.06</b>	<b>Profit before extraordinary items and tax</b>	<b>88.68</b>
0.00	Add: Extraordinary items	0.50
0.02	Less: Prior Period Adjustment	0.00
87.04	Profit Before Taxation	89.18
27.00	Current tax	27.50

For the year ended March 31, 2013 (Audited)	Abridged Statement of Profit & Loss of STCL	For the year ended March 31, 2014 (Audited)
0.00	Deferred tax	0.00
0.00	Excess provision for Income Tax	0.00
60.04	Profit / (loss) for the period	61.68

## ASSOCIATES

### III. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

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 ₹74.99 crore and ₹18.75 crore, respectively, to the corpus of CGTMSE during FY2013-14, raising the corpus size to ₹2,295.30 crore.

#### Operations of Credit Guarantee Scheme

The operations under CGS continued to grow. From only 9 active MLIs in FY 2000-01, the number of MLIs availing the guarantee cover has gone up to 117 active MLIs as on March 31, 2014. During FY 2013-2014 a total of 3,48,475 guarantees have been approved for an amount of ₹18,188.12 crore, registering a growth of 21% in terms of number and 13% in terms of amount respectively over the previous financial year. Cumulatively, as at March 31, 2014, a total of 14,19,807 accounts have been accorded guarantee approval for ₹70,026.29 crore. The slab-wise coverage under the Credit Guarantee Scheme is given below:

**Table 6.5: Slab-wise guarantee approvals as on March 31, 2014 (cumulative)**

Sr. No.	Range	No. of Proposals	Loan Amount (₹ Lakh)
1	Upto 100,000/-	4,94,688	2,43,018.95
2	100,001 to 200,000/-	3,29,209	4,96,243.01
3	200,001 to 500,000/-	3,02,718	10,90,476.27
4	500,001 to 10,00,000/-	1,38,007	10,67,924.38
5	10,00001 to 25,00000/-	1,11,184	19,02,095.47
6	25,00,001 to 50,00,000/-	30,383	11,58,491.51
7	50,00,001 to 100,00,000/-	13,618	10,44,379.02
	<b>Total</b>	<b>14,19,807</b>	<b>70,02,628.61</b>

*N.B.: Actuals may vary due to intervening cancellations / modifications*

An analysis of the cumulative coverage under CGS as at March 31, 2014, indicates that 2,62,611 proposals (18.50%) for ₹10,419.26 crore (14.88%) were in respect of Women Entrepreneurs; 73,671 proposals (5.19%) for ₹1,512.03 crore (2.16%) to Scheduled Caste; 28,949 proposals (2.04%) for ₹949.23 crore (1.35%) to Scheduled Tribe and 1,02,229 proposals (7.20%) for ₹3,149.32 crore (4.50%) to 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 below:

**Table 6.6: Overall Impact CGTMSE**

Parameters	As on 31/03/2014
Cumulative Guarantees approved (No.)	14,19,807
Loan Amount (extended by MLIs) (₹ crore)	70,026
Expected turnover of guaranteed units (₹ crore)	8,74,356
Expected exports by guaranteed units (₹ crore)	6,110
Expected employment generation (No. in lakh)	49.94
Number of MLIs	132

### Risk sharing facility:

The Bank had signed a Memorandum of Understanding (MoU) with the CGTMSE on 24<sup>th</sup> January 2013, to operate a Scheme known as Risk Sharing Facility – II (RSF-II), on a pilot basis for a limited period. The scheme was a project under SME Financing and Development Project in India being implemented by SIDBI with funding from International Bank for Reconstruction and Development (IBRD) along with other international agencies viz. DFID-UK, GIZ and Kfw, Germany with the DFS, Ministry of Finance as the nodal agency for the project. By sharing the Micro and Small Enterprise (MSE) credit risk with banks / FIs, the RSF – II is designed to help banks / FIs build up a track record of good MSE lending. Agreements were executed with 2 Member Lending Institutions (MLIs) of CGTMSE viz. SIDBI and Indian Overseas Bank. Aggregate guarantees of ₹19.77 crore were approved in respect of 15 accounts (7 in respect of SIDBI and 8 in respect of Indian Overseas Bank) under the Scheme.

### Awareness Creation

CGTMSE has adopted multi-channel approach for creating awareness of the CGS amongst banks, MSME industry associations, MSME sector, etc. through print media, conducting workshops / seminars, attending the programmes organized at various district / state / national fora, etc. During the year, CGTMSE conducted / participated in various seminars / workshops organized by MLIs and Industry Associations, exhibitions and meetings organized by RBI / Govt. in connection with MSME sector, across the country to create awareness about CGS. CGTMSE officials also held business development meetings with its Member Lending Institutions. Information dissemination campaigns were vigorously carried out amongst various stakeholders.

#### IV. SMERA Ratings Limited

SMERA Ratings Ltd. (formerly SME Rating Agency of India Limited) commenced its operations in 2005 as an exclusive credit rating agency for Micro, Small and Medium enterprises (MSME) sector in India. SMERA provides comprehensive, transparent and reliable ratings, thus providing comfort and confidence to lenders and investors alike in decision making. SMERA has been duly accredited by RBI as one of the recognized rating agencies.

#### Business Operations

SMERA has completed 6,414 ratings during the financial year 2013-14. Cumulatively, since its incorporation, SMERA has assigned ratings to 27,756 MSME units up to March 31, 2014 spread across various categories, industries and states. SMERA has been providing special attention to micro and small enterprises which accounted for 66 % and 32 %, respectively, of its total ratings.

#### V. India SME Technology Services Limited [ISTSL]

India SME Technology Services Ltd. (ISTSL) renders consulting solutions towards technology transfer, energy conservation and environment management etc.

During the year ended March 31, 2014, ISTSL attended many technology based enquiries from MSMEs and offered technology facilitation services for the technology related needs of MSMEs. Such initiatives of ISTSL are expected to strengthen and accelerate the process of technological modernization leading to sustainable development in the MSME sector.

#### VI. India SME Asset Reconstruction Company Limited

India SME Asset Reconstruction Company Limited (ISARC) was promoted by SIDBI with the principal objective of acquiring non-performing assets (NPAs) and to resolve them through innovative mechanisms with a special focus on the NPAs of micro, small and medium enterprises sector (MSMEs). The Company was incorporated on April 11, 2008 and commenced its business operations on April 15, 2009.



26th ACSIC Conference in Busan, Korea

During the year, ISARC undertook due diligence in respect of 150 accounts and submitted bid for 94 accounts. ISARC also undertook due diligence of 3 accounts from 3 banks and submitted bids for 3 accounts on bilateral basis. During the year, the Company acquired 42 financial assets from 3 Banks (sellers) for an aggregate purchase consideration of ₹260.02 crore out of which ₹18.61 crore was invested by ISARC and balance ₹241.41 crore came from the other security receipts (SRs) investors (sellers). During the year, ISARC has recovered ₹26.95 crore as against ₹17.85 crore and ₹20.63 crore during the FY 2012-13 and FY 2011-12 respectively, from its acquired assets. SRs worth ₹14.30 crore were redeemed during the FY 2013-14 (previous year ₹11.99 crore). ISARC has assets under management of ₹384.47 crore representing outstanding SRs and balance sheet assets.



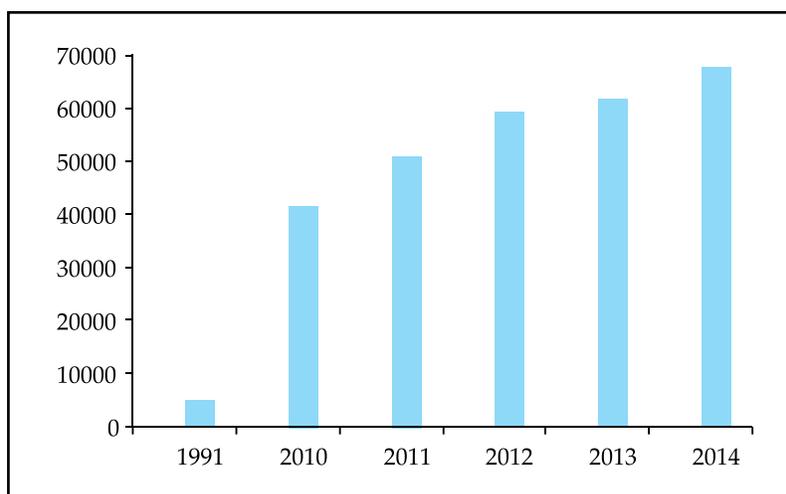
## Balance Sheet & Statement of Accounts

## 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 2013-14, are given in Appendix – I. The consolidated Balance Sheet, along with Profit and Loss Account and Cash Flow Statement of SIDBI with its subsidiaries viz., SIDBI Venture Capital Ltd., (SVCL) and SIDBI Trustee Company Ltd., (STCL) and associates viz. SME Rating Agency of India Ltd., (SMERA), Indian SME Asset Reconstruction Company Limited (ISARC) and India SME Technology Services Ltd., (ISTSL) and others are given in Appendix II.

The total income of the Bank during the year was higher at ₹5,808.32 crore as compared to ₹5,401.21 crore during the previous year due to growth in the overall portfolio. The total expenditure during the corresponding period was higher at ₹3,646.47 crore as compared to ₹3,361.33 crore during the previous year. The Profit before Tax for the year was ₹1,539.50 crore, compared to ₹1,196.28 crore in the previous year. The net profit after tax and Deferred Tax Adjustment for the year was ₹1,118.27 crore as against ₹837.35 crore in the previous year. Out of the total distributable profit of ₹1,151.36 crore (net profit of ₹1,118.27 crore [after tax adjustment] for the year ended March 31, 2014 and brought forward profit of ₹33.09 crore), the Bank declared a dividend of 25% on paid up equity capital of ₹450 crore which worked out to ₹131.62 crore inclusive of dividend distribution tax, surcharge and cess payable thereon. During the year, a sum of ₹80 crore was transferred to Special Reserve created under Section 36(1) (viii) of IT Act, 1961, ₹32.18 crore was transferred from Investment Fluctuation Reserve and appropriation of ₹1 crore was made to Staff Welfare Fund (SWF). Surplus of ₹935 crore was transferred to the Reserve Fund and balance ₹35.92 crore was retained in Profit and Loss Account.

**Table 7.1 : Balance Sheet Size**



### Auditors

The accounts of the Bank for the financial year 2013-14 were audited by M/s Haribhakti & Co., Chartered Accountants, Mumbai who were appointed in terms of Section 30(1) of the SIDBI Act, 1989 (as amended) at the Annual General Meeting held on June 13, 2013 for carrying out the statutory audit.

The reports of the Auditors are given on Page Nos. 49 and 82.

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Auditors' Report

**Independent Auditors' Report**

To  
**The Shareholders**  
**Small Industries Development Bank of India**

**Report on the Financial Statements**

We have audited the accompanying Financial Statement of Small Industries Development Bank of India (the Bank) which comprises the Balance Sheet as at 31<sup>st</sup> March 2014 and the Profit & Loss Account and Cash Flow Statement for the year ended and a summary of significant accounting policies and other explanatory information on that date.

**Management Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also include evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Small Industries Development Bank of India General Regulations, 2000 in the manner so required to the extent required by the Bank and give a true and fair view in conformity with the accounting principles generally accepted in India.

- i. In the case of the Balance Sheet, of the state of affairs of the Bank as at 31<sup>st</sup> March 2014,
- ii. In the case of the Profit & Loss Account, of the profit for the year ended 31<sup>st</sup> March 2014,
- iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. We report that :
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this Report are in agreement with Books of Accounts
  - iv. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 and are drawn up in accordance with the requirements of the Regulation 14(i) of the Small Industries Development Bank of India General Regulations, 2000.

**For Haribhakti & Co**  
**Chartered Accountants**  
**Firm Registration No : 103523W**

**Rakesh Rathi**  
**Partner**  
**M.No : 45228**

**Place : Mumbai**  
**Date : May 23, 2014**

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Balance Sheet as at March 31, 2014

### Appendix - I

### Balance Sheet as at March 31, 2014

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2014	March 31, 2013
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	8042,27,93,107	7053,29,72,648
Deposits	III	17428,26,37,419	18104,87,19,905
Borrowings	IV	35618,03,16,388	29849,15,66,912
Other Liabilities and Provisions	V	6271,78,62,502	6273,83,57,000
Deferred Tax Liability		-	117,09,35,120
<b>Total</b>		<b>67810,36,09,416</b>	<b>61848,25,51,585</b>

ASSETS			
Cash and Bank Balances	VI	1927,72,27,801	1515,74,70,338
Investments	VII	2947,11,49,485	2863,87,86,279
Loans & Advances	VIII	61270,69,95,084	56059,75,73,832
Fixed Assets	IX	194,63,94,459	198,28,99,872
Other Assets	X	1470,18,42,587	1210,58,21,264
<b>Total</b>		<b>67810,36,09,416</b>	<b>61848,25,51,585</b>
Contingent Liabilities	XI	6519,35,87,953	5286,06,02,658

Significant Accounting Policies

XV

Notes to Accounts

XVI

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

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In-charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Profit &amp; Loss Account for the year ended March 31, 2014

## Profit &amp; Loss Account for the year ended March 31, 2014

(₹)

INCOME	SCHEDULES	March 31, 2014	March 31, 2013
Interest and Discount	XII	5618,98,41,648	5134,11,52,197
Other Income	XIII	189,33,22,228	267,09,74,036
<b>Total</b>		<b>5808,31,63,876</b>	<b>5401,21,26,233</b>
<b>EXPENDITURE</b>			
Interest & Financial charges		3337,09,12,099	3039,25,23,188
Operating Expenses	XIV	309,37,57,137	322,07,40,654
Provisions & Contingencies (Refer note no.16)		622,35,23,953	843,60,25,933
<b>Total</b>		<b>4268,81,93,189</b>	<b>4204,92,89,775</b>
<b>Profit before Tax</b>		<b>1539,49,70,687</b>	<b>1196,28,36,458</b>
Provision for Income Tax (Refer note no.24)		602,35,84,352	379,63,75,132
Deferred Tax Adjustment [(Asset) / Liability]		(181,13,31,566)	(20,70,65,580)
<b>Profit after Tax</b>		<b>1118,27,17,901</b>	<b>837,35,26,906</b>
Profit brought forward		33,09,21,258	27,18,81,456
<b>Total Profit / (Loss)</b>		<b>1151,36,39,159</b>	<b>864,54,08,362</b>
<b>Appropriations</b>			
Transfer to General Reserve		935,00,00,000	540,00,00,000
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		80,00,00,000	80,00,00,000
Others			
Transfer from Investment Fluctuation Reserve		(3,21,801,399)	78,82,93,354
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		19,11,93,750	19,11,93,750
Surplus in Profit & Loss account carried forward		35,92,46,808	33,09,21,258
<b>Total</b>		<b>1151,36,39,159</b>	<b>864,54,08,362</b>

Basic/Diluted Earning Per Share

24.85

18.61

Significant Accounting Policies

XV

Notes to Accounts

XVI

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

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In-charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

CAPITAL AND LIABILITIES	March 31, 2014	March 31, 2013
<b>SCHEDULE I:</b>		
<b>Capital</b>		
<b>(a) Authorized Capital</b>		
- 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>(b) Issued, Subscribed and Paid-up Capital :</b>		
- Equity Share Capital (45,00,00,000 Equity Shares of ₹ 10/- each)	450,00,00,000	450,00,00,000
- Preference Share Capital	-	-
<b>Total</b>	<b>450,00,00,000</b>	<b>450,00,00,000</b>
<b>SCHEDULE II:</b>		
<b>Reserves, Surplus and Funds</b>		
<b>A) Reserves</b>		
<b>i) General Reserve</b>		
- Opening Balance	5503,31,73,555	4963,31,73,555
- Additions during the year	935,00,00,000	540,00,00,000
- Utilisations during the year	-	-
- <b>Closing Balance</b>	<b>6438,31,73,555</b>	<b>5503,31,73,555</b>
<b>ii) Specific Reserves</b>		
<b>a) Investment Reserve</b>		
- Opening Balance	55,19,63,645	55,19,63,645
- Additions during the year	-	-
- Utilisations during the year	-	-
- <b>Closing Balance</b>	<b>55,19,63,645</b>	<b>55,19,63,645</b>
<b>b) Special Reserve created and maintained u/s 36 (1) (viii) of The Income Tax Act, 1961</b>		
- Opening Balance	1117,00,00,000	1037,00,00,000
- Additions during the year	80,00,00,000	80,00,00,000
- Utilisations during the year	-	-
- <b>Closing Balance</b>	<b>1197,00,00,000</b>	<b>1117,00,00,000</b>
<b>c) Other Reserves</b>		
<b>i) Investment Fluctuation Reserve</b>		
- Opening Balance	78,82,93,354	-
- Additions during the year	-	78,82,93,354
- Utilisations during the year	32,18,01,399	-
- <b>Closing Balance</b>	<b>46,64,91,955</b>	<b>78,82,93,354</b>
<b>B) Surplus in Profit and Loss account</b>	<b>35,92,46,808</b>	<b>33,09,21,258</b>
<b>C) Funds</b>		
<b>a) National Equity Fund</b>		
- Opening Balance	243,22,48,570	222,39,66,690
- Additions / Write back during the year	3,88,71,453	20,82,81,880
- Utilisations during the year	-	-
- <b>Closing Balance</b>	<b>247,11,20,023</b>	<b>243,22,48,570</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

<b>b) Staff Welfare Fund</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
- Opening Balance	22,63,72,265	22,80,55,066
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,55,75,145	1,16,82,801
- Closing Balance	<b>22,07,97,120</b>	<b>22,63,72,265</b>
<b>c) Others</b>	-	-
<b>Total</b>	<b>8042,27,93,107</b>	<b>7053,29,72,648</b>
<b>SCHEDULE III</b>		
<b>Deposits</b>		
<b>A) Fixed Deposits</b>	<b>928,26,37,419</b>	<b>2604,86,19,905</b>
<b>B) From Banks</b>		
a) Under MSME Refinance Fund	15000,00,00,000	14000,01,00,000
b) Under MSME Risk Capital Fund	1000,00,00,000	1000,00,00,000
c) Others -From Foreign & Private Sector Banks	-	-
d) Under MSME INDIA Opportunities Venture Fund	500,00,00,000	500,00,00,000
<b>Subtotal (B)</b>	<b>16500,00,00,000</b>	<b>15500,01,00,000</b>
<b>Total</b>	<b>17428,26,37,419</b>	<b>18104,87,19,905</b>
<b>SCHEDULE IV</b>		
<b>BORROWINGS</b>		
<b>I) Borrowings in India</b>		
1. From Reserve Bank of India	5000,00,00,000	-
2. From Government of India (including Bonds subscribed by GOI of ₹2,172.80 crore)	3161,79,92,413	3137,79,96,461
3. Bonds & Debentures	13066,60,00,000	11871,60,00,000
4. From Other Sources		
- Commercial Paper	3650,00,00,000	625,00,00,000
- Certificate of Deposits	-	-
- Term Loans from Banks	905,17,89,999	5638,96,39,669
- Term Money Borrowings	-	-
- Others	49,93,25,569	-
<b>Subtotal (I)</b>	<b>25833,51,07,981</b>	<b>21273,36,36,130</b>
<b>II) Borrowings outside India</b>		
(a) KFW, Germany	1314,99,52,598	1041,42,91,583
(b) Japan International Cooperation Agency (JICA)	4277,84,46,222	4210,88,01,924
(c) IFAD, Rome	128,37,60,894	120,82,06,342
(d) World Bank	3503,91,84,661	2856,98,98,451
(e) Others	559,38,64,032	345,67,32,482
<b>Subtotal (II)</b>	<b>9784,52,08,407</b>	<b>8575,79,30,782</b>
<b>Total (I &amp; II)</b>	<b>35618,03,16,388</b>	<b>29849,15,66,912</b>

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

	March 31, 2014	March 31, 2013
<b>SCHEDULE V</b>		
<b>Other Liabilities and Provisions:</b>		
Interest Accrued	362,34,55,627	518,27,52,253
Others (including provisions)	4179,32,70,087	4111,61,27,707
Provisions for Exchange Rate Fluctuation	1283,11,87,410	1247,01,13,635
Contingent provisions against standard assets	315,37,55,628	265,31,69,655
Proposed Dividend (including tax on dividend)	131,61,93,750	131,61,93,750
<b>Total</b>	<b>6271,78,62,502</b>	<b>6273,83,57,000</b>
<b>ASSETS</b>		
<b>SCHEDULE VI</b>		
<b>Cash &amp; Bank Balances</b>		
1. Cash in Hand & Balances with Reserve Bank of India	7,05,464	5,85,949
2. Balances with Other Banks	-	-
<b>(a) In India</b>		
i) in current accounts	36,64,76,226	25,44,93,925
ii) in other deposit accounts	347,51,06,947	100,00,00,000
<b>(b) Outside India</b>		
i) in current accounts	8,63,47,523	1,00,00,675
ii) in other deposit accounts	1534,85,91,641	1389,23,89,789
<b>Total</b>	<b>1927,72,27,801</b>	<b>1515,74,70,338</b>
<b>SCHEDULE VII</b>		
<b>Investments [net of provisions]</b>		
<b>A) Treasury operations</b>		
1. Securities of Central and State Governments	378,83,78,095	276,73,22,178
2. Shares of Banks & Financial Institutions	23,95,12,137	24,03,41,237
3. Bonds & Debentures of Banks & Financial Institutions	556,38,92,000	623,38,92,000
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	250,24,16,342	253,01,08,526
5. Short Term Bills Rediscounting Scheme	-	-
6. Others	825,44,66,583	784,71,38,259
<b>Subtotal (A)</b>	<b>2034,86,65,157</b>	<b>1961,88,02,200</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

	March 31, 2014	March 31, 2013
<b>B) Business Operations</b>		
1. Shares of Banks & Financial Institutions	62,56,61,440	62,56,61,440
2. Bonds & Debentures of Banks & Financial Institutions	26,77,312	26,77,312
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	607,02,49,879	631,94,46,870
4. Investment in Subsidiaries	1,04,98,800	1,04,98,800
5. Others	241,33,96,897	206,16,99,657
<b>Subtotal (B)</b>	<b>912,24,84,328</b>	<b>901,99,84,079</b>
<b>Total (A+B)</b>	<b>2947,11,49,485</b>	<b>2863,87,86,279</b>
<b>SCHEDULE VIII</b>		
<b>Loans &amp; Advances [Net of Provisions]</b>		
<b>A) Refinance to</b>		
- Banks and Financial Institutions	40383,09,61,127	37193,36,56,036
- Micro Finance Institutions	1169,52,05,368	1132,48,81,543
- NBFC	4749,13,22,100	5468,77,05,100
- Bills Rediscounted	2956,00,00,000	-
- Others ( Resource Support)	-	-
<b>Subtotal (A)</b>	<b>49257,74,88,595</b>	<b>43794,62,42,679</b>
<b>B) Direct Loans</b>		
- Loans and Advances	9144,11,95,442	8021,15,56,128
- Receivable Finance Scheme	2841,83,77,451	4166,07,07,253
- Bills Discounted	26,99,33,596	77,90,67,772
<b>Subtotal (B)</b>	<b>12012,95,06,489</b>	<b>12265,13,31,153</b>
<b>Total (A+B)</b>	<b>61270,69,95,084</b>	<b>56059,75,73,832</b>
<b>SCHEDULE IX</b>		
<b>Fixed Assets [Net of Depreciation]</b>		
1. Premises	192,70,47,584	196,50,76,099
2. Others	1,93,46,875	1,78,23,773
<b>Total</b>	<b>194,63,94,459</b>	<b>198,28,99,872</b>

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

	March 31, 2014	March 31, 2013
<b>SCHEDULE X</b>		
<b>Other Assets:</b>		
Accrued Interest	704,74,90,615	538,80,83,962
Advance Tax (Net of provision)	103,40,26,063	259,68,97,059
Others (Includes Deferred Tax Assets of ₹64,03,96,446)	540,89,67,745	299,46,39,736
Expenditure to the extent not written off	121,13,58,164	112,62,00,507
<b>Total</b>	<b>1470,18,42,587</b>	<b>1210,58,21,264</b>
<b>SCHEDULE XI</b>		
<b>Contingent Liabilities</b>		
i) Claims against the Bank not acknowledged as debts	135,28,35,372	94,34,05,384
ii) On account of Guarantees / Letters of Credit	337,45,25,203	142,36,70,719
iii) On account of Forward Contracts	52,69,03,816	9,59,10,287
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	5993,93,23,562	5039,76,16,268
<b>Total</b>	<b>6519,35,87,953</b>	<b>5286,06,02,658</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Profit &amp; Loss Account for the year ended March 31, 2014

(₹)

	March 31, 2014	March 31, 2013
<b>SCHEDULE XII</b>		
<b>Interest and Discount</b>		
1. Interest and Discount on Loans, Advances and Bills	5383,48,58,138	4624,83,61,648
2. Income on Investments / Bank balances	235,49,83,510	509,27,90,549
<b>Total</b>	<b>5618,98,41,648</b>	<b>5134,11,52,197</b>
<b>SCHEDULE XIII</b>		
<b>Other Income:</b>		
1. Upfront and Processing Fees	36,76,63,903	22,67,36,460
2. Commission and Brokerage	2,09,46,605	2,36,29,982
3. Profit on sale of Investments	80,65,45,243	104,58,78,339
4. Income earned by way of dividends etc. from Subsidiaries / Associates	3,74,97,750	3,74,97,750
5. Provision of Earlier Years written Back	-	-
6. Others (Refer note no.14)	66,06,68,727	133,72,31,505
<b>Total</b>	<b>189,33,22,228</b>	<b>267,09,74,036</b>
<b>SCHEDULE XIV</b>		
<b>Operating Expenses:</b>		
Payments to and provisions for employees	190,24,08,098	223,53,72,788
Rent Taxes and Lighting	16,62,40,563	21,70,09,341
Printing & Stationery	91,79,577	92,88,164
Advertisement and Publicity	2,76,13,901	2,73,00,920
Depreciation / Amortisation on Bank's Property	11,82,74,218	12,87,73,913
Directors' fees allowances and expenses	46,69,019	42,01,771
Auditor's Fees	44,30,761	32,18,265
Law Charges	1,26,28,111	92,17,056
Postage Courier, Telephones etc	33,28,005	31,89,560
Repairs and maintenance	9,73,95,929	6,95,47,260
Insurance	44,51,363	52,35,173
Contribution to CGTMSE	18,74,75,000	7,77,50,000
Other Expenditure	55,56,62,592	43,06,36,443
<b>Total</b>	<b>309,37,57,137</b>	<b>322,07,40,654</b>

**SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA**

Schedules to Balance Sheet as at March 31, 2014

**SCHEDULE XV – SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PREPARATION**

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

**Use of Estimates :**

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

**2. REVENUE RECOGNITION**

**A) INCOME :**

- i. Interest income including penal interest is accounted for on accrual basis, except where interest and / or installment of principal / bills repayment is due for more than 90 days as on the date of Balance Sheet as per RBI norms. Interest in respect of such loan accounts and receivable / bills finance is taken credit on actual receipt basis. Interest income from Investments is accounted for on accrual basis, except income on non performing investments.
- ii. Income in the Profit and Loss Account is shown gross i.e. before provisions as per RBI guidelines and other provisions like provision for stressed assets as per Bank's internal policy.
- iii. Discount received in respect of bills discounted / rediscounted and on Certificate of Deposit and Commercial Papers is apportioned over the period of 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.
- viii. Gain/loss on sale of loans and advances through direct assignment is recognized at the time of sale.
- ix. Profit or loss on sale of investment: Profit or loss on sale of investments in any category is taken to profit and loss account. However, in case of profit on sale of investments under "Held to Maturity" category an equivalent amount is appropriated to Capital Reserves Account.

**B) EXPENDITURE :**

- i. All expenditure are accounted for on accrual basis except Development Expenditure which is accounted for on cash basis.
- ii. Discount on Bonds and Commercial papers issued are amortized over the tenure of Bonds and Commercial Paper. The expenses relating to issue of Bonds are amortized over the tenure of the Bonds.

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

**3. INVESTMENTS**

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

- a. Government Securities,
- b. Other approved securities,
- c. Shares,
- d. Debentures & Bonds,
- e. Subsidiaries/ joint ventures and
- f. Others (Commercial Paper, Mutual Fund Units, Certificate of Deposits etc.)

**(a) Held to Maturity:**

Investments acquired with the intention to hold till maturity are 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 scrip 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 scrip is not changed.

- ii The debentures / bonds / shares deemed to be in the nature of advance, are subject to the usual prudential norms applicable to loans & advances.
- iii In respect of unquoted investments in industrial concerns under Seed Capital Scheme, full provision has been made.
- iv Stressed assets provision is made on certain investments as per internal approved policy.

**4. FOREIGN CURRENCY TRANSACTIONS**

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

1. Assets and Liabilities are translated at the closing rates notified by FEDAI at the year end.
2. Income and Expenses are translated at monthly intervals through actual sale/purchase and recognized in the profit and loss account accordingly.
3. The revaluation difference on foreign currency LoC is adjusted and recorded in a special account opened and maintained, in consultation with GOI for managing exchange risk.
4. The Bank follows hedge accounting in respect of derivative transactions as per RBI guidelines.

**5. DERIVATIVES**

The Bank presently deals in currency derivatives viz., Cross Currency Interest Rate swaps for hedging its foreign currency liabilities. Based on RBI guidelines, the above derivatives undertaken for hedging purposes are accounted on

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

an accrual basis. Contingent Liabilities on account of derivative contracts at contracted rupee amount are reported on the Balance Sheet date.

### 6. LOANS AND ADVANCES

1. Assets representing loan and other assistance portfolios are classified based on record of recovery as Standard, Sub-standard, Doubtful and Loss Assets. Provision is made for assets, as per the norms in accordance with the prudential norms issued by the Reserve Bank of India.
2. Advances stated in the Balance Sheet are net of provisions made for Non performing assets.
3. General provision on Standard Assets is made as per RBI guidelines.
4. In addition to the General provisions on Standard Assets as per RBI guidelines, as a measure of prudence, the Bank is making additional provision in respect of Standard Assets which are in the Stressed Assets category, as per an internal approved policy. The internal policy for Provisions for Stressed Assets is based on risk perception/ risk appetite and availability of profit in respect of certain portfolio. As directed by Reserve Bank of India (RBI), it has been decided to discontinue the practice of making account specific provisions in standard specific stressed accounts for SFCs, MFIs and direct finance portfolio after December 31, 2013. (refer note no - 16 of Notes to Account and RBI disclosure no B (h)).

### 7. TAXATION

- (i) Tax expense comprises both current tax and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with Income Tax Act.
- (ii) Deferred income taxes 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. Unrecognized deferred assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

### 8. SECURITISATION

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

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

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

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

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

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

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

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

**10. PROVISIONING FOR STAFF BENEFITS****A] Post retirement benefits:**

- (i) Provident Fund is a defined contribution scheme administered by the Bank and the contributions are charged to the Profit & Loss Account of the year.
- (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 recognised over the period of service, which entitles the employees to such benefits.

**11. FIXED ASSETS AND DEPRECIATION**

- a) Fixed Assets are shown at cost less depreciation.
- b) Depreciation for the full year, irrespective of date of capitalization, is provided on :
- (i) Furniture and fixture : For assets owned by Bank @ 100 percent
- (ii) Computer and Computer Software @ 100 percent
- (iii) Building @ 5 percent on WDV basis
- (iv) Electrical Installations: For assets owned by Bank @ 50 percent on WDV basis.
- (v) Motor Car - Straight Line Method @ 50 percent.
- c) Depreciation on additions is provided for full year and no depreciation is provided in the year of sale/disposal.
- d) Leasehold land is amortised over the period of lease.

**12. PROVISION FOR CONTINGENT LIABILITIES AND CONTINGENT ASSETS.**

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

**13. GRANTS AND SUBSIDIES**

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

**14. OPERATING LEASE**

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

**15. IMPAIRMENT OF ASSETS**

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

- a) the provision for impairment loss, if any required; or
- b) the reversal, if any, required for impairment loss recognized in the previous periods.

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

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

		March 31, 2014	March 31, 2013
<b>SCHEDULE XVI - NOTES TO ACCOUNTS</b>			
<b>1</b>	<b>'Bonds and Debentures' under Borrowings in schedule IV includes the following :</b>		
	a) Unsecured Bonds	13066,60,00,000	11871,60,00,000
	b) Capital Gain Bonds	-	-
<b>2</b>	<b>'Others' under Other Liabilities and Provisions in schedule V include the following :</b>		
	a) SIDBI Disability Assistance Fund	2,54,46,152	2,32,58,426
	b) SIDBI Voluntary Health Scheme	11,12,62,156	10,64,61,844
<b>3</b>	<b>'Expenditure to the extent not written off' under Other Assets in schedule X includes the following:</b>		
	a) Premium on transfer of RBI NIC(LTO) to GoI Bonds	51,69,43,890	58,15,61,877
	b) Discount paid in Advance - Commercial Paper	63,71,54,031	48,34,57,839
	c) Expenditure on Issuance of Unsecured Bonds	572,60,243	6,11,80,791
<b>4</b>	<b>Interest and Financial Charges</b>		
	a) Interest on Borrowings	1923,30,15,964	1769,86,27,543
	b) Interest on Deposits	1053,18,29,112	962,24,56,338
	c) Financial Charges	360,60,67,023	307,14,39,307
	<b>Total</b>	<b>3337,09,12,099</b>	<b>3039,25,23,188</b>
<b>5</b>	Estimated amount of contracts remaining to be executed on Capital Account not provided for (net of advance paid)	3,16,59,234	11,60,52,657
<b>6</b>	Premises include advances towards acquisition of Premises ₹22,26,552 (Previous Year - ₹42,11,298) and Capital Work in Progress ₹7,99,28,334 (Previous Year - ₹16,76,89,229).		
<b>7</b>	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 (GOI) and included in Foreign Currency Fluctuation Reserve Fund. The difference on account of exchange fluctuation arising on principal account amounting to ₹4,62,85,94,913 (Previous Year - ₹4,94,20,18,504) has been netted off against ERFF as permitted by the Government of India. Adjustment to the Fund Account, if necessary, will be made as per directions of Government of India in future. If the balance in the Fund is insufficient, the claim will be on Government of India.		
<b>8</b>	The borrowing of ₹4,36,08,88,828(Previous Year - ₹4,79,69,77,710) from Govt. of India under the JICA 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 rupee borrowings and the balance in the ERFF maintained for this loan. The balance as on March 31, 2014 in ERFF maintained for this loan is ₹3,68,63,08,330(Previous Year - ₹3,98,57,63,489).		
<b>9</b>	Income in schedule XIII - 'other income' for FY 2013-14 includes Prior Period Income of ₹1,39,39,865 [Previous Year ₹2,21,88,707] and Other expenditure in schedule XIV - 'Operating Expenses' for FY 2014 includes Prior Period Expenditure of ₹4,87,92,475 [Previous Year - ₹1,42,12,033].		

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

10	The Bank has contracted a line of credit for USD 300 million from World Bank for scaling up Sustainable and Responsible Micro Finance Project including IDA portion aggregating SDR 65.9 million (equivalent of USD 100 million). Under IDA line, Govt. of India is the borrower and rupee funds are lent to SIDBI by GOI though the exchange risk on the underlying is required to be borne by SIDBI as per the terms of the agreement. Thus, though GOI released rupee funds to SIDBI the same was recorded as SDR liability in the books of SIDBI to depict correct position so that revaluation difference gets suitably reflected in the year end figures. Accordingly the drawal effected under the above line aggregating USD 94.63 million (equivalent to ₹552.91 cr.) as on March 31, 2014 [Previous Year USD 94.59 million (equivalent to ₹485.30 crore)] from GOI is recorded as SDR liability and the underlying is being hedged through Currency Interest rate swaps by SIDBI. The same has been grouped under schedule IV - 'Borrowings in India'.	
11	Government of India (GOI) has created "India Microfinance Equity Fund" with SIDBI with a corpus of ₹300 crore. The Fund shall be utilised for extending equity or any other form of capital to Tier – II and Tier – III NBFC MFIs and all Non-NBFC MFIs, with a focus on smaller socially oriented MFIs with the objective of poverty alleviation and achieving long term sustainability of operations in unserved and underserved parts of the country. The fund is operated/managed by SIDBI for which an administrative fee for managing the fund is received by SIDBI. Further, the inflows and outflows are debited/credited to the fund. Hence, fund balance of IMEF, net of investment is grouped under "Other Liabilities" in the Balance Sheet and all gains/losses/income/expenditure are the part of the fund.	
12	The Bank has pledged Government Securities & Treasury Bills aggregating to ₹379,00,00,000 (book value ₹366,00,14,453) [Previous Year ₹1,04,00,00,000 (book value ₹1,02,34,03,203)] with Clearing Corporation of India Ltd. for Collateralised Borrowings and Lending Obligations (CBLO). The Bank has placed Fixed Deposit with IDBI Bank to cover its operations under Working Capital arrangement with IDBI Bank.	
13	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 ₹9,051,790,000 as on March 31, 2014 (Previous Year ₹9,39,96,39,669). The interest receivable on these deposits matches with the interest payable on underlying liabilities.	
14	Other income includes recoveries on account of advances written off in earlier years ₹52.33 crore (previous year ₹73.26 crore]	
15	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 ₹9,17,84,508. (Previous year - ₹9,66,15,272) as on March 31, 2014.	
16	As directed by Reserve Bank of India (RBI), it has been decided to discontinue the practice of making account specific provisions in standard specific stressed accounts for SFCs, MFIs and direct finance portfolio after December 31, 2013. The stressed assets provisions, held as on December 31, 2013 amounting to ₹3,249.70 crore is classified as floating provision and out of this, floating provision amounting to ₹615.48 is utilized towards making NPA provision for one SFC(₹609.79 crore) and for one MFI(₹5.70 crore utilized before receipt of RBI directive) which has turned NPA in FY 2014 in accordance with RBI circular No. DBOD. NO.BP. 95/21.04. 048 /2013-14 dated February 07, 2014 which is well within the limit of 33% of the floating provision held. Further, 'Provisions and Contingencies' in the Profit & Loss Account for the year ended March 31, 2014 are net off after write back of floating provision utilized above.	
17	IFAD had extended a foreign currency loan to SIDBI of SDR 16.35 million, vide loan agreement dated February 18, 2002. As per the terms of loan agreement, IFAD had disbursed loan in USD and it is to be repaid in USD equivalent to SDR. The Bank has accounted accordingly in the books of account.	
18	The Bank has sold its Advances portfolio (Direct) under direct assignment. The following tables set forth, for the periods indicated, the information on direct assignment activity of the Bank as an originator.	
(₹)		
<b>Particulars</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
<b>Opening Balance</b>	86,78,63,862	197,46,04,691
Total number of loan assets direct assigned	-	-
Total book value of loan assets direct assigned	-	-
Sale consideration received for the direct assigned assets	-	-
Net gain/(loss) on account of direct assignment	-	-

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

<b>19</b>	<b>Employee Benefits</b>				
	In accordance with the Accounting Standard on "Employee Benefits" (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the Bank has classified the various benefits provided to the employees as under:				
<b>(a)</b>	<b>Defined contribution plan</b>				
	Provident fund				
	The Bank has recognized the following amounts in Profit & Loss Account, which are included under Contributions to Provident funds:	(₹)			
	<b>Particulars</b>	<b>March 31, 2014</b>		<b>March 31, 2013</b>	
	Employer's contribution to Provident fund	4,50,21,831		4,43,46,490	
<b>(b)</b>	The Bank is having defined benefit Pension Plans and Gratuity Scheme which are managed by the Trust.	(₹ Crore)			
		<b>Pension</b>		<b>Gratuity</b>	
		<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>1.</b>	<b>Assumptions</b>				
	Discount Rate - Previous	8.00%	8.50%	8.00%	8.50%
	Rate of Return on Plan Assets - Previous	8.70%	8.60%	8.70%	8.60%
	Salary Escalation - Previous.	7.00%	5.50%	7.00%	5.50%
	Discount Rate - Current	9.29%	8.00%	9.32%	8.00%
	Rate of Return on Plan Assets - Current	8.70%	8.70%	8.70%	8.70%
	Salary Escalation - Current	7.00%	7.00%	7.00%	7.00%
<b>2.</b>	<b>Table showing change in Benefit Obligation</b>				
	Liability at the beginning of the year	218.85	155.95	68.08	56.24
	Interest Cost	17.51	13.26	5.45	4.78
	Current Service Cost	10.26	13.84	4.26	2.42
	Past Service Cost (Non Vested Benefit)	0.00	0.00	0.00	0.00
	Past Service Cost (Vested Benefit)	0.00	0.00	0.00	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)	(4.75)	(2.83)	(3.46)	(1.99)
	Actuarial (gain) / loss on obligations	(20.77)	38.64	(11.75)	6.63
	<b>Liability at the end of the year</b>	<b>221.08</b>	<b>218.85</b>	<b>62.57</b>	<b>68.08</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

	Pension		Gratuity	
	FY 2014	FY 2013	FY 2014	FY 2013
<b>3. Tables of Fair value of Plan Assets</b>				
Fair Value of Plan Assets at the beginning of the year	74.12	66.58	68.86	44.92
Expected Return on Plan Assets	6.45	5.73	5.99	3.86
Contributions	4.13	3.94	23.20	21.41
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)	(4.75)	(2.83)	(3.46)	(1.99)
Actuarial gain / (loss) on Plan Assets	0.32	0.70	0.62	0.65
Fair Value of Plan Assets at the end of the year	80.27	74.12	95.21	68.86
<b>Total Actuarial Gain / (Loss) to be recognised</b>	<b>21.09</b>	<b>(37.94)</b>	<b>12.37</b>	<b>(5.97)</b>
<b>4. Actual Return on Plan Assets</b>				
Expected Return on Plan Assets	6.45	5.73	5.99	3.86
Actuarial Gain / (Loss) on Plan Assets	0.32	0.70	0.62	0.65
Actual Return on Plan Assets	6.77	6.43	6.61	4.51
<b>5. Amount Recognised in the Balance Sheet</b>				
Liability at the end of the year	80.27	74.12	95.21	68.86
Fair Value of Plan Assets at the end of the year	(221.08)	(218.85)	(62.57)	(68.08)
Difference	(140.82)	(144.72)	32.64	0.78
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
<b>Net Amount recognised in the Balance Sheet</b>	<b>(140.82)</b>	<b>(144.72)</b>	<b>32.64</b>	<b>0.78</b>
<b>6. Expenses Recognised in the Income Statement</b>				
Current Service Cost	10.26	13.84	4.26	2.42
Interest Cost	17.51	13.26	5.45	4.78
Expected Return on Plan Assets	(6.45)	(5.73)	(5.99)	(3.86)
Past Service Cost (Non Vested Benefit) recognised during the year	0.00	0.00	0.00	0.00
Past Service Cost (Vested Benefit) recognised during the year	0.00	0.00	0.00	0.00
Recognition of Transition Liability during the year	0.00	0.00	0.00	0.00
Actuarial (Gain) / Loss	(21.09)	37.94	(12.37)	5.97
<b>Expense Recognised in Profit &amp; Loss account</b>	<b>0.22</b>	<b>59.30</b>	<b>(8.66)</b>	<b>9.31</b>

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## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

		Pension		Gratuity					
		FY 2014	FY 2013	FY 2014	FY 2013				
<b>7.</b>	<b>Balance Sheet Reconciliation</b>								
	Opening Net Liability	144.72	89.37	(0.08)	11.32				
	Expense as above	0.22	59.30	(8.66)	9.31				
	Employers Contribution	(4.13)	(3.94)	(23.20)	(21.41)				
	<b>Amount recognised in the Balance Sheet</b>	<b>140.82</b>	<b>144.72</b>	<b>(32.64)</b>	<b>(0.78)</b>				
<b>8.</b>	<b>Other Details</b>								
	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)	19.94	16.31	0.00	3.48				
<b>9.</b>	<b>Category of Assets</b>								
	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)	80.27	74.12	95.21	68.86				
	Other	0.00	0.00	0.00	0.00				
	<b>Total</b>	<b>80.27</b>	<b>74.12</b>	<b>95.21</b>	<b>68.86</b>				
<b>10.</b>	<b>Experience Adjustment:</b>								
		Pension				Gratuity			
		FY 2014	FY 2013	FY 2012	FY 2011	FY 2014	FY 2013	FY 2012	FY 2011
	On Plan Liability (Gain)/Loss	24.34	(2.72)	35.64	6.91	(3.72)	(0.11)	14.18	3.45
	On Plan Asset (Loss)/Gain	0.32	0.70	5.78	1.62	0.62	0.65	(0.78)	(0.26)
<b>C.</b>	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.								
	<b>Sr. No.</b>	<b>Particulars</b>			<b>FY 2014</b>		<b>FY 2013</b>		
	1	Ordinary Leave Encashment			5.00		10.15		
	2	Leave Fare Concession (LFC)			0.45		2.58		
	3	Sick Leave			2.60		0.94		
	4	Resettlement Expenses			0.00		0.00		
	5	Voluntary Health Scheme (VHS)*			0.10		0.69		

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

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

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 Treasury 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. Previous year's figures have been regrouped and reclassified to conform to the current year's methodology. (₹ Crore)								
	<b>Business Segments</b>	<b>Direct Finance</b>		<b>Indirect Finance</b>		<b>Treasury</b>		<b>Total</b>	
	<b>Particulars</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>1</b>	<b>Segment Revenue</b>	1437	1365	4118	3420	253	616	5,808	5,401
	Exceptional Items							-	-
	<b>Total</b>							<b>5,808</b>	<b>5,401</b>
<b>2</b>	<b>Segment Results</b>	346	348	1208	825	91	111	1,645	1,284
	Exceptional Items								-
	<b>Total</b>							<b>1,645</b>	<b>1,284</b>
	Unallocable Expenses							106	88
	<b>Operating profit</b>							<b>1,539</b>	<b>1,196</b>
	Income Tax (Net of write back)							421	359
	<b>Net profit</b>							<b>1,118</b>	<b>837</b>
<b>3</b>	<b>Other information</b>								
	<b>Segment Assets</b>	15103	12433	48355	45970	3416	2573	66,874	60,976
	Unallocated Assets							936	872
	<b>Total Assets</b>							<b>67,810</b>	<b>61,848</b>
	Segment Liabilities	13246	9774	42299	41517	3104	2102	58,649	53,393
	Unallocated Liabilities							670	820
	<b>Total</b>							<b>59,319</b>	<b>54,213</b>
	<b>Capital / Reserves</b>	1930	2668	6179	4491	382	476	8,491	7,635
	<b>Total</b>							<b>8,491</b>	<b>7,635</b>
	<b>Total Liabilities</b>							<b>67,810</b>	<b>61,848</b>
21	<b>Related party transactions</b>								
	As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by Institute of Chartered Accountant of India, the related parties of the Bank are as follows.								
<b>A</b>	<b>Subsidiaries:</b>								
1	SIDBI Venture Capital Limited (SVCL)								
2	SIDBI Trustee Company Limited (STCL)								
<b>B</b>	<b>Associates</b>								
1	India SME Asset Reconstruction Company (ISARC)								
2	SME Rating Agency of India Ltd. (SMERA)								
3	India SME Technology Services Ltd. (ISTSL)								

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

<b>C</b>	<b>Key Managerial Personnel of the Bank:</b>					
1	Shri S. Muhnot, Chairman & Managing Director (upto Nov 8, 2013)					
2	Shri N.K.Maini, Deputy Managing Director-Incharge.					
3	Shri T. R. Bajalia, Deputy Managing Director (upto Dec 31, 2013)					
	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).					
<b>D</b>	<b>Disclosures of details pertaining to related party transactions :</b>					
a)	The gross salary including perquisites paid to the Key Managerial Personnel of the Bank during the year is as under :					
					(₹)	
			<b>FY 2013-14</b>	<b>FY 2012-13</b>		
1)	Shri S. Muhnot, Chairman & Managing Director (upto Nov 8, 2013)		10,92,533	26,42,975		
2)	Shri N.K.Maini, Deputy Managing Director		23,79,136	21,13,512		
3)	Shri T. R. Bajalia, Deputy Managing Director (upto Dec 31, 2013)		11,86,352	7,17,450		
a)	Outstanding balances of loans as on March 31st in respect of above persons:		Nil	Nil		
b)	Interest on loans granted to Key Managerial Personnel during the year:		Nil	Nil		
c)	Outstanding balances under Fixed Deposits as on March 31st in respect of Key Managerial Personnel of the Bank:					
	<b>Particulars</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>		
	Deposits accepted during the year		16,04,134	37,58,628		
	Repayment during the year		11,25,000	8,22,743		
	Closing Balance		56,22,762	51,43,628		
	Interest recognised during the year		5,90,384	4,68,552		
e)	<b>Related Party</b>	<b>Subsidiaries</b>		<b>Associates</b>		
	<b>Particulars</b>	<b>SVCL</b>	<b>STCL</b>	<b>SMERA</b>	<b>ISARC</b>	<b>ISTSL</b>
	<b>Investment in Shares</b>					
	Transactions during the Year	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
	Outstanding at end of the year	1,00,00,000	5,00,000	5,10,00,000	15,00,00,000	1,00,00,000
		(1,00,00,000)	(5,00,000)	(5,10,00,000)	(15,00,00,000)	(1,00,00,000)
	<b>Income received</b>					
	Amount received by Bank	4,88,44,394	90,000	62,38,551	81,96,299	-
		(4,65,13,178)	(1,00,000)	(60,98,446)	(70,77,717)	-
	Receivables at end of the year	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)
	<b>Reimbursement of expenses</b>					
	Amount claimed by Bank	23,12,964	-	-	43,45,513	18,61,469
		(5,41,674)	(-)	(-)	(6,48,640)	(38,52,852)
	Receivables at end of the year	-	-	-	15,178	39,44,583
		(960)	(-)	(-)	(6,34,576)	(34,90,794)

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

e)	Related Party	Subsidiaries		Associates		
		SVCL	STCL	SMERA	ISARC	ISTSL
	<b>Particulars</b>					
	<b>Payment of expenses</b>					
	Amount paid by Bank					
	- Fees/Commission	24,19,510 (22,27,423)	- -	- (4,00,000)	- -	- (7,25,239)
	- Interest	- (46,45,503)	- (16,40,452)	- (-)	- (79,74,179)	- -
	Payables at end of the year					
	- Fees/Commission	- (-)	- (-)	- (-)	- (-)	- (-)
	- Interest	- (-)	- (-)	- (-)	- (-)	- (-)
	<b>Deposits</b>					
	Received during the Year	- (-)	- (-)	- (-)	- (-)	- (-)
	Repaid during the year	- (4,78,10,000)	- (1,68,83,000)	- (-)	- (8,07,58,957)	- (-)
	Outstanding at end of the year	- (-)	- (-)	- (-)	- (-)	- (-)
	(Figures in brackets represents previous year's amount)					
22	<b>Earning Per Share (EPS) (AS-20)* :</b>			<b>March 31, 2014</b>	<b>March 31, 2013</b>	
	Net Profit considered for EPS calculation (₹)			1118,27,17,901	837,35,26,906	
	Number of equity shares of face value ₹ 10 each			45,00,00,000	45,00,00,000	
	Earning per share (₹)			24.85	18.61	
	* Basic & Diluted EPS are same as there are no dilutive potential Equity Shares.					
23	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 ₹1,81,13,31,566 as Deferred Tax Assets (Previous year - Deferred Tax Asset was ₹20,70,65,580) in the Profit and Loss Account for the year ended March 31, 2014. The Break up of Deferred Tax Asset/ (Liability) as on March 31, 2014 is as follows :					
	<b>Timing Difference</b>			<b>As at 31.03.2014 Deferred Tax Asset/(Liability)</b>	<b>As at 31.03.2013 Deferred Tax Asset/(Liability)</b>	
a)	Provision for Depreciation			(4,48,16,723)	(4,80,06,842)	
b)	Special Reserve u/s 36(1)(viii) of the Income Tax Act 1961			(334,41,91,476)	(306,00,03,750)	
c)	Provisions for Bad & Doubtful Debts			333,22,13,509	125,78,32,600	
d)	Amortisation of Premium on GOI Bonds			(17,57,09,228)	(19,76,72,882)	
e)	Provision for Restructuring of Accounts			16,46,37,417	16,46,37,417	
f)	Others			70,82,62,948	71,22,78,338	
	<b>Net deferred tax Asset/(Liability)</b>			<b>64,03,96,447</b>	<b>(117,09,35,120)</b>	

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## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹)

24 Provision for Income Tax includes:			
Sr. No.	Particulars	FY 2013-14	FY 2012-13
(i)	Current Income Tax Provision	602,99,57,094	521,55,64,002
(ii)	Short/(Excess) Income Tax Provision of Earlier Years	(63,72,742)	(141,91,88,870)
25	Contingent liabilities of ₹1,30,17,60,225 (Previous Year - ₹ 88,70,74,231) 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 ₹50,66,98,988 (Previous Year - ₹ 50,66,51,835) pertaining to appeals filed by Income Tax Department against the Bank.		
26	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.		
27	Disclosures under Accounting Standard 29 for provisions in contingencies.		
Particulars	Wage Arrears / Incentive	Other Provisions	
<b>Opening Balance</b>	<b>99,59,800</b>	<b>4,36,60,598</b>	
Additions:	29,10,00,000	0.00	
Utilisations:	16,321	0.00	
Write back	0.00	0.00	
<b>Closing Balance</b>	<b>30,09,43,479</b>	<b>4,36,60,598</b>	
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.			
28	The bank has not exceeded the prudential exposure limit during the year.		
29	Details of Customers complaints received, disposed off and pending for the year ended March 31, 2014.		
Particulars	FY 2014	FY 2013	
No. of Complaints at the beginning of the year	8	3	
Add: No. of Complaints received during the year	52	55	
Less: No. of Complaints redressed during the year	52	50	
No. of Complaints pending at the end of the year	8	8	
30	<b>Investor's Complaints:</b> As on 1st April, 2013, the Bank had three pending investor's complaints. During the current financial year three complaints were received from Investors and three complaints were disposed off during the year. Thus, three complaints are pending for disposal as on March 31, 2014.		
31	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.		
32	Previous year's figures have been re-grouped and re-classified wherever necessary to make them comparable with the current years figures.		

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

Additional disclosures as per RBI guidelines						
A.	<b>Capital</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>		
	<b>a) Capital to Risk Assets Ratio [CRAR]</b>		30.75%	28.14%		
	Core CRAR		29.65%	27.02%		
	Supplementary CRAR		1.10%	1.12%		
	<b>b) The amount of subordinated debt raised and outstanding as Tier II capital</b>		Nil	Nil		
	<b>c) Risk weighted assets- separately for on and off-balance sheet items</b>					
	On Balance sheet		30,092.50	30,566.65		
	Off Balance sheet		645.06	350.53		
	<b>d) The share holding pattern as on the date of the Balance sheet</b>		<b>No. of shares</b>	<b>Percentage of shareholding</b>		
	Financial Institutions		2,39,00,000	5.31		
	Insurance Companies		9,84,50,000	21.88		
	PSU Banks		32,76,50,000	72.81		
	<b>Total</b>		<b>45,00,00,000</b>	<b>100.00</b>		
	B.	<b>Asset quality and credit concentration</b>				
		<b>FY 2013-14</b>	<b>FY 2012-13</b>			
<b>a) Percentage of net NPAs to net loans and advances</b>		0.45	0.53			
<b>b) Provision Coverage Ratio</b>		88%*	84%			
* Floating provision held as on March 31, 2014 has not been considered while calculating PCR.						
<b>c) Amount and percentage of net NPAs to net advances under the prescribed asset classification categories</b>						
			<b>FY 2013-14</b>		<b>FY 2012-13</b>	
<b>Category</b>		<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>	
Sub-standard assets*		206.82	0.34	277.07	0.49	
Doubtful assets*		70.23	0.11	22.08	0.04	
<b>Total</b>		<b>277.05</b>	<b>0.45</b>	<b>299.15</b>	<b>0.53</b>	
* Adjusted provision in respect of restructured accounts classified as NPA. The Net NPA for FY 2013-14 will be NIL if the amount of floating provision is adjusted against the same.						
<b>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</b>						
<b>Particulars</b>			<b>FY 2013-14</b>	<b>FY 2012-13</b>		
Standard Assets *		411.77	673.36			
NPAs**		784.09	350.09			
Investments		41.98	159.40			
Restructuring of Accounts		-	19.02			
Income Tax (including Deferred tax and write back of excess provision, if any)		421.23	358.93			
* Includes general provision of ₹50.06 crore (previous year ₹31.02 crore) held in respect of standard assets, as per RBI guidelines.						
** Net of write back of provision ₹116.22 crore , (previous year ₹68.86 crore)						

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

<b>e) Movement of Non Performing Assets (NPAs)</b>		
<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2012-13</b>
Gross NPA at the beginning of the financial year	554.29	373.51
Add : Additions during the year	995.48	621.81
<b>Sub total (A)</b>	<b>1549.78</b>	<b>995.32</b>
Less:-		
i) Upgradations	49.15	69.29
ii) Recoveries (excluding recoveries made from upgraded accounts)	183.40	79.86
iii) Prudential Write-offs	161.24	291.87
iv) Write-offs other than those under (iii) above	2.87	0.00
<b>Sub total (B)</b>	<b>396.66</b>	<b>441.02</b>
<b>Gross NPA at the close of the financial year (A - B)</b>	<b>1153.12</b>	<b>554.29</b>
<b>f) Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2012-13</b>
Opening Balance at the beginning of the financial year	247.02	188.80
Add: Provisions made during the year	900.31	418.94
Less: Write-off / write-back of excess provisions	280.32	360.72
<b>Closing balance at the close of the financial year</b>	<b>867.01</b>	<b>247.02</b>
<b>g) Movement in Net NPAs</b>		
<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2012-13</b>
Opening Balance at the beginning of the financial year	299.15	183.92
Add: Additions during the year	95.18	202.86
Less: Reductions during the year	116.34	80.30
Less: Provision for diminution of fair value of restructured accounts classified as NPA*	0.94	7.33
<b>Closing balance at the close of the financial year</b>	<b>277.05</b>	<b>299.15</b>
* Provision for diminution in fair value of restructured accounts classified as NPA as on March 31, 2014 is ₹9.06 crore, as against ₹8.12 crore already considered in opening as on March 31, 2013. Accordingly the figure has been worked out for FY 2013-14.		

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

h) Movement of Floating Provisions					
Particulars		FY 2013-14		FY 2012-13	
Opening balance at the beginning of the financial year		-		-	
Add: Provisions made during the year/provision transferred during the year from stressed asset provision *		3249.7		-	
Less: Purpose and amount of draw down made during the year		609.79		-	
<b>Closing balance at the close of the financial year</b>		<b>2,639.91</b>		<b>-</b>	
<p>* As directed by Reserve Bank of India (RBI), it has been decided to discontinue the practice of making account specific provisions in standard specific stressed accounts for SFCs, MFIs and direct finance portfolio after December 31, 2013. The stressed assets provisions, held as on December 31, 2013 amounting to ₹3,249.70 crore is classified as floating provision and out of this, floating provision amounting to ₹615.48 is utilized towards making NPA provision for one SFC (₹609.79 crore) and for one MFI (₹5.70 crore - utilized before receipt of RBI directive) which has turned NPA in FY2014 in accordance with RBI circular No. DBOD. NO.BP. 95/21.04. 048 /2013-14 dated February 07, 2014 which is well within the limit of 33% of the floating provision held. Further, 'Provisions and Contingencies' in the Profit &amp; Loss Account for the year ended March 31, 2014 are net off after write back of floating provision utilized above.</p>					
<b>C. Credit Exposure</b>					
<b>a) Credit exposure as percentage to capital funds and as percentage to total assets, in respect of :</b>					
Sr. No.	Particulars	FY 2013-14		FY 2012-13	
		As % to Total Assets	As % to Capital funds	As % to Total Assets	As % to Capital funds
1	The largest single borrower	12.77	82.19	10.51	67.70
	The largest borrower group	As large borrowers are Primary lending Institutions, the concept of borrower group is not applicable.			
2	The 10 largest single borrowers	50.86	327.24	43.69	281.45
	The 10 largest borrower group	As large borrowers are Primary lending Institutions the concept of borrower group is not applicable.			
<b>b) Credit exposure to the five largest industrial sectors (if applicable) as percentage to total loan assets :</b>					
Name of Industry		FY 2013-14		FY 2012-13	
		Amount. Outstanding	% to total loan assets	Amount. Outstanding	% to total loan assets
Metal Products		3,242.65	5.29	739.51	6.03
Transport Equipment		1,820.46	2.97	1,608.59	13.12
Electricity Generation		1,497.07	2.44	1,404.44	11.45
Electronic Equipment *		1,444.00	2.36	571.93	4.66
Textiles (Including Jute)		1,254.14	2.05	1,323.89	10.79
* Electronic Equipment was not in top five largest industrial sectors in FY 2012-13					

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

<b>D. Concentration of Deposits, Advances, Exposures and NPAs</b>			
<b>a) Concentration of Deposits</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
Total Deposits of twenty largest depositors (₹ Crore)		702.28	2361.71
Percentage of deposits of twenty largest depositors to total deposits of the bank		75.66	90.66
<b>b) Concentration of Advances</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
Total Advances to twenty largest borrowers (₹ Crore)		46,628.32	34,471.25
Percentage of advances to twenty largest borrowers to total advances of the bank		76.10	61.49
<b>c) Concentration of Exposures</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
Total Exposures to twenty largest borrowers / customers (₹ Crore)		46,634.80	34,472.03
Percentage of exposures to twenty largest borrowers / customers to total exposures of the bank on borrowers / customers		55.32	53.60
<b>d) Concentration of NPAs - Total Exposure to top four NPA accounts (₹ Crore)</b>		815.73	204.17
<b>e) Sector wise NPAs</b>			
<b>Particulars</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
		Percentage of NPAs to Total Advances in that Sector	
Agriculture & allied activities Industry ( Micro, small, medium and large)		-	-
Industry ( Micro, small, medium and large)		2.12	0.74
Services		0.95	6.37
Personal Loans		-	-
<b>f) Movement of Prudential Write-off (PWO) Accounts</b>			
<b>Particulars</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
Prudential Written-off Accounts at the beginning of the financial year		1,312.61	1,107.30
Add : Prudential write-off during the year		161.24	291.87
<b>Sub total (A)</b>		1,473.85	1,399.17
<b>Less: Actual write off</b>		210.91	13.39
Less: Recoveries made from previously prudential written-off accounts during the year		52.33	73.17
<b>Sub total (B)</b>		263.24	86.56
<b>Prudential Written-off Accounts at the close of the financial year (A-B)</b>		1,210.61	1,312.61
<b>g) Overseas Assets, NPAs and Revenue</b>			
<b>Particulars</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
Total Assets		-	-
Total NPAs		-	-
Total Revenue		-	-

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

	FY 2013-14		FY 2012-13		
	Name of SPV Sponsored		Name of SPV Sponsored		
	Domestic	Overseas	Domestic	Overseas	
<b>h) Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)</b>	-	-	-	-	
<b>E Investments</b>					
<b>a) The Investments have been classified as under, as required by RBI guidelines:</b>					
<b>Particulars</b>	<b>FY 2013-14</b>		<b>FY 2012-13</b>		
i) Held to Maturity	796.57		762.37		
ii) Available for sale	2,542.40		2,363.42		
iii) Held for Trading	-		92.65		
iv) Others	-		-		
<b>Total</b>	<b>3,338.97</b>		<b>3,218.44</b>		
<b>b) Provisions for depreciation in Investments</b>					
<b>Particulars</b>	<b>FY 2013-14</b>		<b>FY 2012-13</b>		
Opening balance as at the beginning of the financial year	40.62		119.45		
Add : Provisions made during the year	32.18		-78.83		
Add: Appropriations, if any, from Investment Fluctuation Reserve account	-		-		
Less : Write off during the year	0.93		-		
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	-		-		
<b>Closing balance at the close of the financial year</b>	<b>71.87</b>		<b>40.62</b>		
<b>c) Issuer Categories in respect of Investment made:</b>					
<b>Issuer</b>	<b>Amount</b>	<b>Amount of</b>			
		<b>Investment made through private placement</b>	<b>Below Investment Grade Securities Held</b>	<b>Unrated securities held</b>	<b>Unlisted securities</b>
PSUs	469.52	0.00	-	-	0.00
FIs	349.98	269.98	-	-	235.16
Banks	664.93	161.00	-	-	0.00
Private Corporates	727.66	656.74	-	9.73	544.02
Subsidiaries/Joint ventures	1.05	1.05	-	-	1.05
Others	737.17	0.00	-	-	352.50
<b>Sub-Total</b>	<b>2,950.31</b>	<b>1,088.77</b>	<b>-</b>	<b>9.73</b>	<b>1,132.72</b>
Provision held towards depreciation	(72.80)	-	-	-	-
<b>Total</b>	<b>2,877.51</b>	<b>1,088.77</b>	<b>-</b>	<b>9.73</b>	<b>1,132.72</b>
<b>d) Non-performing Investments:</b>					
<b>Particulars</b>	<b>FY 2013-14</b>		<b>FY 2012-13</b>		
Opening balance as at the beginning of the financial year	319.14		132.43		
Additions during the year since 1st April	4.40		188.54		
Reductions during the above period	3.54		1.83		
<b>Closing balance at the close of the financial year</b>	<b>319.99</b>		<b>319.14</b>		
Total Provisions held	297.89		291.84		
<b>e) Sale &amp; transfers of securities to /from HTM category:</b>					
During the current FY, the Bank shifted investments in Venture Capital Funds from HTM to AFS category in accordance with extant RBI guidelines. Except for the above, there was no shifting of investments to/from HTM category.					

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

f) Disclosure of Restructured Accounts																						
SI	Type of Restructuring →		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification →		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Details ↓																						
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of Borrowers	11	4	1	-	16	-	-	-	-	-	136	41	16	-	193	147	45	17	-	209
		Amount outstanding	666.31	90.87	1.38	-	758.56	-	-	-	-	-	1,048.32	89.40	25.91	-	1,163.63	1,714.63	180.27	27.30	-	1,922.20
		Provision thereon	13.02	7.08	-	-	20.10	-	-	-	-	-	2.79	0.56	0.32	-	3.67	15.82	7.64	0.32	-	23.78
2	Fresh restructuring during the year	No. of Borrowers	-	1	1	-	2	-	-	-	-	-	83	7	2	-	92	83	8	3	-	94
		Amount outstanding	2.27	15.05	68.97	-	86.29	-	-	-	-	-	152.08	19.64	6.05	-	177.77	154.35	34.69	75.02	-	264.06
		Provision thereon	-	-	7.92	-	7.92	-	-	-	-	-	1.55	0.29	0.07	-	1.91	1.55	0.29	7.99	-	9.83
3	Upgradations to restructured standard category during the FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	6	-2	-4	-	-	6	-2	-4	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	32.63	(24.52)	(8.31)	-	-	32.63	(24.52)	(8.31)	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.30	(0.09)	(0.21)	-	-	0.30	(0.09)	(0.21)	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-1				-1	-					-19				-19	-20				-20
		Amount outstanding	(103.66)				(103.66)	-					(51.72)				(51.72)	(155.38)				(155.38)
		Provision thereon	-				-	-					(0.20)				(0.20)	(0.20)				(0.20)
5	Downgradations of restructured accounts during the FY	No. of Borrowers	-1	1	-	-	-	-	-	-	-	-	-19	4	15	-	-	-20	5	15	-	-
		Amount outstanding	(40.65)	40.65	-	-	-	-	-	-	-	-	(50.69)	(4.05)	54.74	-	-	(91.34)	36.60	54.74	-	-
		Provision thereon	(1.96)	1.96	-	-	-	-	-	-	-	-	(0.40)	0.32	0.08	-	-	(2.36)	2.28	0.08	-	-
6	Write-offs of restructured accounts during the FY	No. of Borrowers	-2	-2	-1	-	-5	-	-	-	-	-	-20	-22	-7	-	-49	-22	-24	-8	-	-54
		Amount outstanding	(108.32)	(62.30)	(1.38)	-	(172.00)	-	-	-	-	-	(46.68)	(7.20)	(9.49)	-	-63.37	(155.00)	(69.50)	(10.88)	-	(235.38)
		Provision thereon	(11.06)	(8.63)	-	-	(19.69)	-	-	-	-	-	(1.17)	(0.60)	(0.11)	-	-1.88	(12.24)	(9.23)	(0.11)	-	(21.58)
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of Borrowers	7	4	1	-	12	-	-	-	-	-	167	28	22	-	217	174	32	23	-	229
		Amount outstanding	415.95	84.27	68.97	-	569.19	-	-	-	-	-	1,084.14	73.27	68.90	-	1,226.31	1,500.09	157.54	137.87	-	1,795.50
		Provision thereon	-	0.41	7.92	-	8.33	-	-	-	-	-	2.87	0.48	0.15	-	3.50	2.87	0.89	8.07	-	11.83

\*Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Note: Figures at Sr. No. 2 includes ₹ 7.07 crore of fresh/additional sanction (12 accounts) to existing restructured borrowers and increase in outstanding of ₹7.52 crore & provision of ₹0.24 crore in respect of existing borrowers. Figures at Sr. No.6 includes ₹164.07 crore (29 borrower & provisions of ₹14.87 crore) which is reduction/recovery from existing restructured accounts by way of recovery.

G.	a) Assets sold to Securitisation Company / Reconstruction Company		
	Particulars	FY 2013-14	FY 2012-13
	Number of Accounts	-	-
	Aggregate Value (net of provisions) of Accounts sold to SC / RC	-	-
	Aggregate Consideration	-	-
	Additional Consideration realised in respect of accounts transferred in earlier years	-	-
	Aggregate Gain / Loss over net Book Value	-	-

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

<b>b) Corporate Debt Restructuring</b>						
Sr. No	Particulars	FY 2013-14		FY 2012-13		
(i)	Total Amount of Loan Assets subjected to Restructuring under CDR	673.74		758.56		
(ii)	The Amount of Standard Assets Subject to CDR	520.5*		666.31		
(iii)	The Amount of Sub-Standard Assets subject to CDR	153.24		92.25		
	* Includes amount of ₹104.55 crore for accounts which do not attract higher provisioning					
<b>H</b>	<b>Liquidity</b>					
	<b>Maturity pattern of rupee and foreign currency assets and liabilities (As compiled by the management and relied upon by the auditors)</b>					
Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than seven years	Total
Rupee assets	46,918	16,442	4,586	1,572	3,586	73,104
Foreign currency assets (Rupee Equivalent)						
Dollar	1,328	551	270	1,068	1,025	4,242
Euro	552	699	473	190	162	2,076
Yen	441	488	594	590	1,254	3,367
GBP	1	67	-	-	-	68
<b>Total Assets</b>	<b>49,240</b>	<b>18,247</b>	<b>5,923</b>	<b>3,420</b>	<b>6,027</b>	<b>82,857</b>
Rupee liabilities	26,686	23,589	2,993	3,552	17,454	74,274
Foreign currency liabilities (Rupee Equivalent)						
Dollar	938	211	209	926	1,680	3,964
Euro	294	540	519	135	342	1,830
Yen	179	505	653	649	1,348	3,334
GBP	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>28,097</b>	<b>24,845</b>	<b>4,374</b>	<b>5,262</b>	<b>20,824</b>	<b>83,402</b>
<b>I</b>	<b>Operating results</b>					
Sr. No	Particulars	FY 2013-14		FY 2012-13		
a)	Interest income as a percentage to average working funds*	8.88		8.62		
b)	Non-interest income as a percentage to average working funds	0.21		0.32		
c)	Operating profit as a percentage to average working funds (before provisions)	3.38		3.38		
d)	Return on average assets (before provisions for taxation)	2.41		1.98		
e)	Net Profit per employee (₹ crore)	1.07		0.79		
	* Interest income includes recoveries out of bad debts					

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

<b>J Forward Rate Agreements &amp; Interest Rate Swaps</b>			
<b>Sr. No</b>	<b>Particulars</b>	<b>FY 2013-14</b>	<b>FY 2012-13</b>
i)	No. of transactions outstanding	-	-
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)	-	-
<b>K Details in respect of Interest Rate Derivatives:</b>			
<b>Particulars</b>		<b>FY 2013-14</b>	<b>FY 2012-13</b>
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)		-	-
<b>L Disclosure of risk exposure in derivatives</b>			
<b>a) Qualitative Disclosures</b>			
(i) The Bank uses Derivatives for hedging of interest rate and exchange risk arising out of mismatch in the assets and liabilities. All derivatives undertaken by Bank are for hedging purposes with underlying as Foreign Currency borrowings, which are not MTM, but only translated. The Bank does not undertake trading in Derivatives.			
(ii) Internal Control guidelines and accounting policies are framed and approved by the Board. The derivative structure is undertaken only after approval of the competent authority. The particulars of derivative details 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

Schedules to Balance Sheet as at March 31, 2014

(₹ Crore)

b) Quantitative Disclosures		FY 2013-14		FY 2012-13	
Sr. No.	Particulars	Currency Derivatives	Interest rate Derivatives	Currency Derivatives	Interest rate Derivatives
1	Derivatives ( Notional Principal Amount )				
	(i) For hedging	5,993.93	-	5,039.76	-
	(ii) For trading	-	-	-	-
2	Marked to Market Positions [1]				
	(i) Asset (+)	537.71	-	236.16	-
	(ii) Liability (-)	-	-	-	-
3	Credit Exposure [2]	857.99	-	568.26	-
4	Likely impact of one percentage change in interest rate ( 100* PV01)				
	(i) On hedging derivatives	114.49	-	293.00	-
	(ii) On trading derivatives	-	-	-	-
5	Maximum and Minimum of 100*PV01 observed during the year				
	(i) On hedging	114.49 / 68.51	-	343.21 / 293.00	-
	(ii) On trading	-	-	-	-

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In-charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Cash Flow Statement for the year ended March 31, 2014

## Cash Flow Statement for the year ended March 31, 2014

(₹)

March 31 2013	Particulars	March 31 2014	March 31 2014
	<b>1. Cash Flow from Operating Activities</b>		
1196,28,36,459	Net Profit before tax as per P & L Account		1539,49,70,687
	Adjustments for :		
12,87,73,913	Depreciation	11,82,74,218	
80,57,41,833	Provision for net depreciation in investments	41,97,88,782	
844,03,97,261	Provisions made (net of write back)	605,74,79,501	
(104,58,78,339)	Profit on sale of investments (net)	(80,65,45,244)	
(23,47,79,638)	Dividend Received on Investments	(17,27,26,300)	561,62,70,957
2005,70,91,489	<b>Cash generated from operations</b>		<b>2101,12,41,644</b>
	(Prior to changes in operating Assets and Liabilities)		
	Adjustments for net changes in :		
309,43,07,039	Current assets	(351,84,95,873)	
(923,57,89,581)	Current liabilities	7,59,87,970	
(1609,71,55,388)	Bills of Exchange	1390,83,70,439	
(710,48,70,474)	Loans & Advances	(7218,81,99,997)	
(438,61,21,510)	Net Proceeds of Bonds and Debentures & other borrowings	5768,87,49,475	
2364,20,28,167	Deposits received	(676,60,82,486)	
(1008,76,01,747)			(1079,96,70,472)
996,94,89,742			1021,15,71,172
(580,71,27,230)	Payment of Tax	(447,40,86,098)	(447,40,86,098)
416,23,62,512	<b>Net Cash flow from operating Activities</b>		<b>573,74,85,074</b>
	<b>2. Cash Flow from Investing Activities</b>		
(10,04,30,449)	Net (Purchase)/Sale of fixed assets	(8,17,68,805)	
(125,62,63,862)	Net (Purchase)/sale/redemption of Investments	(39,88,64,098)	
23,47,79,638	Dividend Received on Investments	17,27,26,300	
(112,19,14,673)	<b>Net cash used in Investing Activities</b>		<b>(30,79,06,603)</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Cash Flow Statement for the year ended March 31, 2014

(₹)

March 31 2013	Particulars	March 31 2014	March 31 2014
	<b>3. Cash flow from Financing Activities</b>		
(130,14,20,053)	Dividend on Equity Shares & tax on Dividend	(130,98,21,008)	
<b>(130,14,20,053)</b>	<b>Net cash used in Financing Activities</b>		<b>(130,98,21,008)</b>
<b>173,90,27,786</b>	<b>4. Net increase/(decrease) in cash and cash equivalents</b>		<b>411,97,57,463</b>
<b>1341,84,42,552</b>	<b>5. Cash and Cash Equivalents at the beginning of the period</b>		<b>1515,74,70,338</b>
<b>1515,74,70,338</b>	<b>6. Cash and Cash Equivalents at the end of the period</b>		<b>1927,72,27,801</b>
<p>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)</p> <p>Significant Accounting Policies      <b>XV</b></p> <p>Notes to Accounts                      <b>XVI</b></p>			

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In-charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated Financial Statement of Small Industries Development Bank of India (the Bank) and its subsidiaries and associates (the Bank, its subsidiaries and associates constitute "the Group") which comprises the consolidated Balance Sheet as at March 31, 2014, and the consolidated Statement of Profit & Loss and consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also include evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

We report that the consolidated financial statements have been prepared by the Bank's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated Financial Statements", Accounting Standards (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Small Industries Development Bank of India, its subsidiaries and associates.

In our opinion and to the best of our information and according to the explanations given to us and on consideration of the report of the other auditor on separate financial statements and on other financial information of the subsidiaries and associates, as mentioned in "Other Matter" paragraph below, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March 2014,
- ii) In the case of the Consolidated Statement of Profit & Loss Account, of the profits of the Group for the year ended on that date,
- iii) In the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Auditors' Report

**Emphasis of the Matter**

We draw attention to :

- a) Note nos 4B and 4D of Annexure I to Consolidated Accounts with regard to non-consolidation of 7 associates wherein as per the management the carrying amount of the investments are not realizable and are fully provided for.
- b) Note nos 4C and 4D of Annexure 1 to Consolidated Accounts with regard to non-consolidation of 8 associates, as in view of the management these are not significant components and hence not considered for consolidation.

**Our opinion is not qualified in respect of this matter**

**Other Matters**

We did not audit the financial statements of the 2 subsidiaries, whose financial statements reflect total assets of ₹36,19,31,173/-, as at March 31, 2014, total revenue of ₹17,09,23,989/- and net cash outflows amounting to ₹2,20,38,113/- for the year then ended. We also did not audit the financial statements of the 1 associate in whose aggregate share of net profit amounting to ₹17,80,762/- are also included in the consolidated financial statements. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us by the Management, and our opinion is based solely on the report of the other auditor.

We have relied on the unaudited financial statements and other financial information furnished by the management with respect to 3 associates in whose aggregate share of net profit amounting to ₹1,73,98,362/- are also included in the consolidated financial statements. We are unable to comment upon resultant impact, if any, on the Group's share of profit as at March 31, 2014, had the associates been audited.

Our opinion is not qualified in respect of this matter.

**For Haribhakti & Co**

Chartered Accountants

Firm Registration No : 103523W

**Rakesh Rathi**

Partner

M.No : 45228

**Place :** Mumbai

**Date :** May 23, 2014

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Balance Sheet as at March 31, 2014

### Appendix - II

### Consolidated Balance Sheet as at March 31,2014

(₹)

CAPITAL AND LIABILITIES	SCHEDULES	March 31, 2014	March 31, 2013
Capital	I	450,00,00,000	450,00,00,000
Reserves, Surplus and Funds	II	8090,14,30,165	7096,41,96,768
Deposits	III	17428,26,37,419	18104,87,19,905
Borrowings	IV	35618,03,16,387	29849,15,66,912
Other Liabilities and Provisions	V	6273,59,98,347	6275,11,03,349
Deferred Tax Liability		-	117,02,71,145
<b>Total</b>		<b>67860,03,82,318</b>	<b>61892,58,58,079</b>

ASSETS			
Cash and Bank Balances	VI	1943,69,97,167	1529,52,01,591
Investments	VII	2977,89,89,991	2892,19,42,808
Loans & Advances	VIII	61270,69,95,084	56059,75,73,832
Fixed Assets	IX	194,76,96,169	198,48,27,654
Other Assets	X	1472,97,03,907	1212,63,12,194
<b>Total</b>		<b>67860,03,82,318</b>	<b>61892,58,58,079</b>
Contingent Liabilities	XI	6519,35,87,953	5286,06,02,658

Significant Accounting Policies and Notes to Accounts (Annexure I)

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

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In-charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Profit &amp; Loss Account for the year ended March 31, 2014

## Consolidated Profit &amp; Loss Account for the year ended March 31, 2014

(₹)

INCOME	SCHEDULES	March 31, 2014	March 31, 2013
Interest and Discount	XII	5620,08,21,584	5135,32,01,460
Other Income	XIII	200,43,31,887	277,44,49,796
<b>Total</b>		<b>5820,51,53,471</b>	<b>5412,76,51,256</b>
<b>EXPENDITURE</b>			
Interest & Financial charges		3337,09,12,099	3038,90,95,335
Operating Expenses	XIV	314,50,24,235	327,35,08,578
Provisions & Contingencies		622,34,50,042	843,57,81,390
<b>Total</b>		<b>4273,93,86,376</b>	<b>4209,83,85,303</b>
<b>Profit before Tax</b>		<b>1546,57,67,095</b>	<b>1202,92,65,953</b>
Provision for Income Tax		605,89,83,886	383,10,75,132
Deferred Tax Adjustment [(Asset) / Liability]		(181,05,81,963)	(20,75,85,928)
Share of earning/(loss) in associates		1,91,79,124	65,25,081
Profit after Tax		<b>1123,65,44,296</b>	<b>841,23,01,830</b>
Profit brought forward		47,01,05,408	38,51,63,808
<b>Total Profit / (Loss)</b>		<b>1170,66,49,704</b>	<b>879,74,65,638</b>
<b>Appropriations</b>			
Transfer to General Reserve		935,66,00,000	540,65,00,000
Transfer to Special reserve u/s 36(1)(viii) of The Income Tax Act, 1961		80,00,00,000	80,00,00,000
Others			
Transfer to Investment Fluctuation Reserve		(32,18,01,399)	78,82,93,354
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		19,75,66,875	19,75,66,875
Surplus in Profit & Loss account carried forward		53,92,84,228	47,01,05,408
<b>Total</b>		<b>1170,66,49,704</b>	<b>879,74,65,638</b>

Basic/Diluted Earning Per Share

24.97

18.69

Significant Accounting Policies and Notes to Accounts (Annexure I)

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

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
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Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai, May 23, 2014

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

CAPITAL AND LIABILITIES	March 31, 2014	March 31, 2013
<b>SCHEDULE I:</b>		
<b>Capital</b>		
<b>(a) Authorized Capital</b>		
- 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>(b) Issued, Subscribed and Paid-up Capital :</b>		
- Equity Share Capital (45,00,00,000 Equity Shares of ₹ 10/- each)	450,00,00,000	450,00,00,000
- Preference Share Capital	-	-
<b>Total</b>	<b>450,00,00,000</b>	<b>450,00,00,000</b>
<b>SCHEDULE II:</b>		
<b>Reserves, Surplus and Funds</b>		
<b>A) Reserves</b>		
<b>i) General Reserve</b>		
- Opening Balance	5532,52,13,526	4992,45,62,762
- Additions during the year	935,65,59,667	540,06,50,764
- Utilisations during the year	-	-
- Closing Balance	<b>6468,17,73,193</b>	<b>5532,52,13,526</b>
<b>ii) Specific Reserves</b>		
<b>a) Investment Reserve</b>		
- Opening Balance	55,19,63,645	55,19,63,645
- Additions during the year	-	-
- Utilisations during the year	-	-
- Closing Balance	<b>55,19,63,645</b>	<b>55,19,63,645</b>
<b>b) Special Reserve created and maintained u/s 36 (1) (viii) of The Income Tax Act, 1961</b>		
- Opening Balance	1117,00,00,000	1037,00,00,000
- Additions during the year	80,00,00,000	80,00,00,000
- Utilisations during the year	-	-
- Closing Balance	<b>1197,00,00,000</b>	<b>1117,00,00,000</b>
<b>c) Other Reserves</b>		
<b>i) Investment Fluctuation Reserve</b>		
- Opening Balance	78,82,93,354	-
- Additions during the year	-	78,82,93,354
- Utilisations during the year	32,18,01,399	-
- Closing Balance	<b>46,64,91,955</b>	<b>78,82,93,354</b>
<b>B) Surplus in Profit and Loss account</b>	<b>53,92,84,228</b>	<b>47,01,05,408</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

C) Funds	March 31, 2014	March 31, 2013
<b>a) National Equity Fund</b>		
- Opening Balance	243,22,48,570	222,39,66,690
- Additions / Write back during the year	3,88,71,453	20,82,81,880
- Utilisations during the year	-	-
- Closing Balance	<b>247,11,20,023</b>	<b>243,22,48,570</b>
<b>b) Staff Welfare Fund</b>		
- Opening Balance	22,63,72,265	22,80,55,066
- Additions during the year	1,00,00,000	1,00,00,000
- Utilisations during the year	1,55,75,145	1,16,82,801
- Closing Balance	<b>22,07,97,120</b>	<b>22,63,72,265</b>
<b>c) Others</b>	-	-
<b>Total</b>	<b>8090,14,30,165</b>	<b>7096,41,96,768</b>
<b>SCHEDULE III</b>		
<b>Deposits</b>		
<b>A) Fixed Deposits</b>	<b>928,26,37,419</b>	<b>2604,86,19,905</b>
<b>B) From Banks</b>		
a) Under MSME Refinance Fund	15000,00,00,000	14000,01,00,000
b) Under MSME Risk Capital Fund	1000,00,00,000	1000,00,00,000
c) Others -From Foreign & Private Sector Banks	500,00,00,000	500,00,00,000
<b>Subtotal (B)</b>	<b>16500,00,00,000</b>	<b>15500,01,00,000</b>
<b>Total</b>	<b>17428,26,37,419</b>	<b>18104,87,19,905</b>
<b>SCHEDULE IV</b>		
<b>BORROWINGS</b>		
<b>I) Borrowings in India</b>		
1. From Reserve Bank of India	5000,00,00,000	-
2. From Government of India (including Bonds subscribed by GOI of ₹2172.80 crore)	3161,79,92,413	3137,79,96,461
3. Bonds & Debentures	13066,60,00,000	11871,60,00,000
4. From Other Sources		
- Commercial Paper	3650,00,00,000	625,00,00,000
- Certificate of Deposits	-	-
- Term Loans from Banks	905,17,89,999	5638,96,39,669
- Term Money Borrowings	-	-
- Others	49,93,25,568	-
<b>Subtotal (I)</b>	<b>25833,51,07,980</b>	<b>21273,36,36,130</b>
<b>II) Borrowings outside India</b>		
(a) KFW, Germany	1314,99,52,598	1041,42,91,583
(b) Japan International Cooperation Agency (JICA)	4277,84,46,222	4210,88,01,924
(c) IFAD, Rome	128,37,60,894	120,82,06,342
(d) World Bank	3503,91,84,661	2856,98,98,451
(e) Others	559,38,64,032	345,67,32,482
<b>Subtotal (II)</b>	<b>9784,52,08,407</b>	<b>8575,79,30,782</b>
<b>Total (I &amp; II)</b>	<b>35618,03,16,387</b>	<b>29849,15,66,912</b>

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

SCHEDULE V	March 31, 2014	March 31, 2013
<b>Other Liabilities and Provisions:</b>		
Interest Accrued	362,34,55,627	518,27,52,253
Others (including provisions)	4180,50,32,807	4112,25,00,931
Provisions for Exchange Rate Fluctuation	1283,11,87,410	1247,01,13,635
Contingent provisions against standard assets	315,37,55,628	265,31,69,655
Proposed Dividend (including tax on dividend)	132,25,66,875	132,25,66,875
<b>Total</b>	<b>6273,59,98,347</b>	<b>6275,11,03,349</b>
<b>ASSETS</b>		
<b>SCHEDULE VI</b>		
<b>Cash &amp; Bank Balances</b>		
1. Cash in Hand & Balances with Reserve Bank of India	7,06,969	5,86,438
2. Balances with Other Banks	-	-
<b>(a) In India</b>		
i) in current accounts	36,70,55,087	25,45,43,513
ii) in other deposit accounts	363,42,95,947	113,76,81,176
<b>(b) Outside India</b>		
i) in current accounts	8,63,47,523	1,00,00,675
ii) in other deposit accounts	1534,85,91,641	1389,23,89,789
<b>Total</b>	<b>1943,69,97,167</b>	<b>1529,52,01,591</b>
<b>SCHEDULE VII</b>		
<b>Investments [net of provisions]</b>		
<b>A) Treasury operations</b>		
1. Securities of Central and State Governments	378,83,78,095	276,73,22,178
2. Shares of Banks & Financial Institutions	23,95,12,137	24,03,41,237
3. Bonds & Debentures of Banks & Financial Institutions	556,38,92,000	623,38,92,000
4. Stocks, Shares, bonds & Debentures of Industrial Concerns	250,24,16,342	253,01,08,526
5. Short Term Bills Rediscounting Scheme	-	-
6. Others	825,44,66,583	784,71,38,259
<b>Subtotal (A)</b>	<b>2034,86,65,157</b>	<b>1961,88,02,200</b>
<b>B) Business Operations</b>		
1. Shares of Banks & Financial Institutions	62,56,61,440	62,56,61,440
2. Bonds & Debentures of Banks & Financial Institutions	5,26,77,321	5,26,77,317
3. Stocks, Shares, bonds & Debentures of Industrial Concerns	607,02,49,879	631,94,46,870
4. Investment in Subsidiaries	-	-
5. Others	268,17,36,194	230,53,54,981
<b>Subtotal (B)</b>	<b>943,03,24,834</b>	<b>930,31,40,608</b>
<b>Total (A+B)</b>	<b>2977,89,89,991</b>	<b>2892,19,42,808</b>

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

SCHEDULE VIII	March 31, 2014	March 31, 2013
<b>Loans &amp; Advances [Net of Provisions]</b>		
<b>A) Refinance to</b>		
- Banks and Financial Institutions	40383,09,61,127	37193,36,56,036
- Micro Finance Institutions	1169,52,05,368	1132,48,81,543
- NBFC	4749,13,22,100	5468,77,05,100
- Bills Rediscounted	2956,00,00,000	-
- Others ( Resource Support)	-	-
<b>Subtotal (A)</b>	<b>49257,74,88,595</b>	<b>43794,62,42,679</b>
<b>B) Direct Loans</b>		
- Loans and Advances	9144,11,95,442	8021,15,56,128
- Receivable Finance Scheme	2841,83,77,451	4166,07,07,253
- Bills Discounted	26,99,33,596	77,90,67,772
<b>Subtotal (B)</b>	<b>12012,95,06,489</b>	<b>12265,13,31,153</b>
<b>Total (A+B)</b>	<b>61270,69,95,084</b>	<b>56059,75,73,832</b>
<b>SCHEDULE IX</b>		
<b>Fixed Assets [Net of Depreciation]</b>		
1. Premises	192,70,47,584	196,70,03,881
2. Others	2,06,48,585	1,78,23,773
<b>Total</b>	<b>194,76,96,169</b>	<b>198,48,27,654</b>
<b>SCHEDULE X</b>		
<b>Other Assets:</b>		
Accrued Interest	705,16,93,538	539,41,84,988
Advance Tax (Net of provision)	103,40,26,063	259,68,97,059
Others (Includes Deferred Tax Assets of ₹64,03,10,817)	543,26,26,142	300,90,29,641
Expenditure to the extent not written off	121,13,58,164	112,62,00,506
<b>Total</b>	<b>1472,97,03,907</b>	<b>1212,63,12,194</b>
<b>SCHEDULE XI</b>		
<b>Contingent Liabilities</b>		
i) Claims against the Bank not acknowledged as debts	135,28,35,372	94,34,05,384
ii) On account of Guarantees / Letters of Credit	337,45,25,203	142,36,70,719
iii) On account of Forward Contracts	52,69,03,816	9,59,10,287
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	5993,93,23,562	5039,76,16,268
<b>Total</b>	<b>6519,35,87,953</b>	<b>5286,06,02,658</b>

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## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Profit & Loss Account for the year ended March 31, 2014

(₹)

SCHEDULE XII	March 31, 2014	March 31, 2013
<b>Interest and Discount</b>		
1. Interest and Discount on Loans, Advances and Bills	5383,48,58,138	4624,83,61,648
2. Income on Investments / Bank balances	236,59,63,446	510,48,39,812
<b>Total</b>	<b>5620,08,21,584</b>	<b>5135,32,01,460</b>
<b>SCHEDULE XIII</b>		
<b>Other Income:</b>		
1. Upfront and Processing Fees	52,74,42,851	36,71,38,725
2. Commission and Brokerage	2,09,46,605	2,36,29,982
3. Profit on sale of Investments	80,65,45,243	104,58,78,339
4. Income earned by way of dividends etc. from Subsidiaries / Associates	-	-
5. Provision of Earlier Years written Back	-	-
6. Others	64,93,97,188	133,78,02,750
<b>Total</b>	<b>200,43,31,887</b>	<b>277,44,49,796</b>
<b>SCHEDULE XIV</b>		
<b>Operating Expenses:</b>		
Payments to and provisions for employees	194,02,81,544	227,34,05,560
Rent, Taxes and Lighting	17,55,86,600	22,66,60,384
Printing & Stationery	96,47,881	96,15,216
Advertisement and Publicity	2,78,41,993	2,77,90,920
Depreciation / Amortisation on Bank's Property	11,89,37,818	12,95,25,576
Directors' fees allowances and expenses	49,04,019	46,61,771
Auditor's Fees	45,60,761	33,48,265
Law Charges	1,40,64,035	1,06,97,056
Postage, Courier, Telephones etc	37,56,065	35,77,639
Repairs and maintenance	9,74,36,363	6,95,86,796
Insurance	47,01,355	54,47,114
Contribution to CGTMSE	18,74,75,000	7,77,50,000
Other Expenditure	55,58,30,801	43,14,42,281
<b>Total</b>	<b>314,50,24,235</b>	<b>327,35,08,578</b>

**SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA**  
Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

<b>Additional Notes to Consolidated Accounts</b>						
<b>Annexure - I - Significant Accounting Policies</b>						
1	All the significant accounting policies as mentioned in Schedule XV of the standalone financial statements have also been followed in the preparation of consolidated financial statements.					
2	The financial statements of the Bank and its subsidiary companies are combined on a line to line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses after fully eliminating intra group balances and inter group transactions in accordance with AS-21 " Consolidated Financial Statements". The Associates are accounted for using the equity method as prescribed by AS-23 " Accounting for Investments in Associates in Consolidated Financial Statements".					
3	Details of Subsidiaries included in consolidated financial statements are:					
<b>Sr.No.</b>	<b>Name of the subsidiary</b>	<b>Country of Incorporation</b>	<b>Proportion of ownership</b>	<b>Profit/Loss</b>		
1	SIDBI Venture Capital Ltd.	India	100%	6,59,78,879		
2	SIDBI Trustee Company Ltd.	India	100%	61,68,392		
	<b>Total</b>			<b>7,21,47,271</b>		
Financial statements of the subsidiaries are audited						
4.A	Details of Associates included in consolidated financial statements are as follows :					
<b>Sr.No.</b>	<b>Name of the Associate</b>	<b>(%) Holding</b>	<b>Description</b>	<b>Investment</b>	<b>Share of Profit/(loss)</b>	<b>Share in reserves *</b>
1	SMERA	34.29	Credit Rating Agency for SME's	5,10,00,000	96,46,047	(18,61,115)
2	ISTSL	22.73	Technology Support to SME's	1,00,00,000	2,79,287	20,89,103
3	ISARC	26.00 **	Asset Reconstruction Company	26,00,00,000	74,73,028	1,50,28,357
4	DFC	23.92	State Financial Corporation	3,13,87,500	17,80,762	11,09,06,260
	<b>Total</b>			<b>35,23,87,500</b>	<b>1,91,79,124</b>	<b>12,61,62,605</b>
* Included in Reserve Fund of ₹ 64,68,17,73,193/- (₹55,32,52,13,526/-)in Schedule II A(i) of the Consolidated Balance sheet.						
** includes 11% holding by SVCL (100% subsidiary of SIDBI).						
B	The results of the following associates are not included in the consolidated financial statements. However, full provision has been made in the financial statements for share of the losses.					
<b>Sr.No.</b>	<b>Name of the Associate</b>	<b>(%) Holding</b>	<b>Description</b>	<b>Investment</b>	<b>Share of profit/(loss)</b>	
1	BSFC	48.43	State Financial Corporation	18,84,88,500	(18,84,88,500)	
2	GSFC	28.42	State Financial Corporation	12,66,00,000	(12,66,00,000)	
3	JKSFC	23.00	State Financial Corporation	10,46,20,000	(10,46,20,000)	
4	MSFC	39.99	State Financial Corporation	12,52,41,750	(12,52,41,750)	
5	PFC	25.92	State Financial Corporation	5,23,51,850	(5,23,51,850)	
6	UPSFC	24.18	State Financial Corporation	21,67,59,000	(21,67,59,000)	
	<b>Total</b>			<b>81,40,61,100</b>	<b>(81,40,61,100)</b>	
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.					

# ANNUAL REPORT 2013-14

## SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Schedules to Consolidated Balance Sheet as at March 31, 2014

(₹)

Sr. No.	Name of the Associate	(%) Holding	Description	Investment
1	APITCO Ltd.	41.29	Technical Consultancy Organisation	54,70,975
2	KITCO Ltd.	49.77	Technical Consultancy Organisation	24,95,296
3	North Eastern Industrial Consultants Ltd.	20.78	Technical Consultancy Organisation	13,474
4	North Eastern Industrial and Technical Consultancy Organisation Ltd.	43.44	Technical Consultancy Organisation	1
5	Orissa Industrial and Technical Consultancy Organisation Ltd.	49.42	Technical Consultancy Organisation	1
6	U.P Industrial Consultants Ltd.	48.99	Technical Consultancy Organisation	15,33,472
7	West Bengal Consultancy Organisation Ltd.	21.67	Technical Consultancy Organisation	4,86,783
	<b>Total</b>			<b>1,00,00,002</b>
<b>D</b>	Financial statements of the associates other than State Financial Corporations (SFC) mentioned in 4A and 4B are unaudited for the year ended March 31,2014. The figures for SFC's other than UPSFC are based on audited results for the year ended March 31,2013. In respect of UPSFC, provisional results are available for the year ended March 31,2012. The Bank has not incurred any obligation or made payment on behalf of associates mentioned in 4B and 4C above or otherwise provided guarantee or commitment for the losses made by the associates in excess of its investment value in the associates.			
<b>5</b>	Details of significant transactions with associates are as under:			
<b>Sr.No.</b>	<b>Name of the Associate</b>	<b>Particulars</b>	<b>Disbursements</b>	<b>Repayments</b>
<b>1</b>	DFC	Refinance assistance	-	26,10,00,032
<b>2</b>	PFC	Refinance assistance	-	10,11,00,000
<b>3</b>	RFC	Refinance assistance	-	40,00,00,000
<b>6</b>	As against depreciation policy of SIDBI whereby assets are depreciated on SLM / WDV at pre-determined rates, the subsidiaries and associates compute depreciation on WDV basis as per Schedule XIV of the Companies Act, 1956. Thus out of the total depreciation of ₹11,89,37,818/- (₹12,95,25,576/-) included in Consolidated Financial Statements, 0.56 % (0.58%) of the amount is determined based on Depreciation provided as per the Companies Act, 1956.			
<b>7</b>	As all shares of the subsidiaries are owned by SIDBI directly or indirectly, no separate disclosure relating to minority interest is reflected.			
<b>8</b>	Aggregate remuneration paid to whole time director of SVCL is ₹45,72,020/- Previous Year (₹45,49,352/-).			
<b>9</b>	<b>Earning Per Share (EPS):</b>		<b>March 31, 2014 (₹)</b>	<b>March 31, 2013 (₹)</b>
	Net Profit considered for EPS calculation		1123,65,44,296	841,23,01,830
	Number of equity shares of face value ₹10 each		45,00,00,000	45,00,00,000
	Earning per share		24.97	18.69
<b>10</b>	<b>Contingent Liabilities</b> SVCL has disputed liability towards municipal taxes, the amount of which cannot be determined.			
<b>11</b>	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).			

BY ORDER OF THE BOARD

As per our report of even date

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai May 23, 2014

**SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA**  
Consolidated Cash Flow Statement for the year ended March 31, 2014

**Cash Flow Statement for the year ended March 31, 2014**

(₹)

March 31 2013	Particulars	March 31 2014	March 31 2014
	<b>1. Cash Flow from Operating Activities</b>		
1202,92,65,953	Net Profit before tax as per Consolidated P & L Account		1546,57,38,030
	Adjustments for :		
12,95,25,576	Depreciation	11,89,08,228	
80,57,41,833	Provision for net depreciation in investments	41,97,88,782	
844,24,96,305	Provisions made (net of write back)	605,74,88,779	
(104,58,78,339)	Profit on sale of investments (net)	(80,65,45,244)	
(21,27,13,489)	Dividend/Interest Received on Investments	(14,61,15,075)	564,35,25,470
<b>2014,84,37,839</b>	<b>Cash generated from operations</b>		<b>2110,92,63,500</b>
	(Prior to changes in operating Assets and Liabilities)		
	Adjustments for net changes in :		
309,10,31,943	Current assets	(348,86,52,588)	
(923,44,76,542)	Current liabilities	4,94,25,898	
(1609,71,55,388)	Bills of Exchange	1390,83,70,439	
(710,48,70,474)	Loans & Advances	(7218,81,99,997)	
(438,61,21,510)	Net Proceeds of Bonds and Debentures & other borrowings	5768,87,49,475	
2370,67,21,167	Deposits received	(676,60,82,486)	
<b>(1002,48,70,804)</b>			<b>(1079,63,89,259)</b>
1012,35,67,035			1031,28,74,241
(584,23,30,850)	Payment of Tax		(450,94,76,246)
<b>428,12,36,185</b>	<b>Net Cash flow from operating Activities</b>		<b>580,33,97,995</b>
	<b>2. Cash Flow from Investing Activities</b>		
(10,13,20,471)	Net (Purchase)/Sale of fixed assets	(8,18,06,334)	
(128,88,32,469)	Net (Purchase)/sale/redemption of Investments	(40,98,87,299)	
21,21,15,263	Dividend/Interest Received on Investments	14,62,85,346	
<b>(117,80,37,677)</b>	<b>Net cash used in Investing Activities</b>		<b>(34,54,08,287)</b>

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### SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Consolidated Cash Flow Statement for the year ended March 31, 2014

(₹)

March 31 2013	Particulars	March 31 2014	March 31 2014
	<b>3. Cash flow from Financing Activities</b>		
(130,75,03,493)	Dividend on Equity Shares & tax on Dividend	(131,61,94,132)	
<b>(130,75,03,493)</b>	<b>Net cash used in Financing Activities</b>		<b>(131,61,94,132)</b>
179,56,95,015	<b>4. Net increase/(decrease) in cash and cash equivalents</b>		<b>414,17,95,576</b>
1349,95,06,576	<b>5. Cash and Cash Equivalents at the beginning of the period</b>		<b>1529,52,01,591</b>
<b>1529,52,01,591</b>	<b>6. Cash and Cash Equivalents at the end of the period</b>		<b>1943,69,97,167</b>

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

For HARIBHAKTI & CO.  
Chartered Accountants  
FRN : 103523W

U.J. Lalwani  
Country Head  
(Corporate Accounts Vertical)

N. Raman  
Executive Director

N.K. Maini  
Deputy Managing Director-In charge

Rakesh Rathi  
Partner  
M.No : 045228

Anil Agrawal  
Director

B. Manivannan  
Director

Mumbai May 23, 2014

BY ORDER OF THE BOARD

# SIDBI BRANCH NETWORK

Head Office : SIDBI Tower, 15, Ashok Marg, Lucknow – 226001, Uttar Pradesh, India  
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<b>Regional Office</b>	<b>Branch Name</b>
Ahmedabad	Ahmedabad, Baroda, Gandhidham, Jamnagar, Morbi, Rajkot, Surat, Vatva
Bangalore	Bangalore, Hosur, Hubli, Mysore, Peenya
Chandigarh	Chandigarh, Jalandhar, Jammu, Ludhiana, Shimla
Chennai	Ambattur, Chennai, Puducherry
Coimbatore	Coimbatore, Erode, Kochi, Madurai, Tirupur, Trichy
Faridabad	Faridabad, Gurgaon
Guwahati	Agartala, Aizawl, Dimapur, Gangtok, Guwahati, Imphal, Itanagar, Shillong
Hyderabad	Balanagar, Hyderabad, Rajahmundry, Vijayawada, Visakhapatnam
Indore	Bhopal, Bilaspur, Indore, Nagpur, Raipur
Jaipur	Alwar, Jaipur, Jodhpur, Kishengarh, Udaipur
Kolkata	Bhubaneshwar, Jamshedpur, Kolkata, Patna, Ranchi, Rourkela
Lucknow	Agra, Kanpur, Lucknow, Varanasi
Mumbai	Andheri, BKC, Mumbai Metro, Panaji, Thane
New Delhi	Bahadurgarh, Dehradun, Ghaziabad, Greater Noida, Kundli, New Delhi, Noida, Okhla, Rudrapur
Pune	Ahmednagar, Aurangabad, Chinchwad, Kolhapur, Nasik, Pune



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