

RFP NO.400/2019/1412/BYO/CAV DATED DECEMBER 03, 2018  
 AND CORRIGENDUM DATED DECEMBER 24, 2018  
 APPOINTMENT OF MERCHANT BANKER / INVESTMENT BANKER  
 FOR FACILITATING EQUITY INVESTEMENT IN SIDBI –  
 Clarification for queries received in Pre-Bid meeting held on Dec.31, 2018

<b>Sr. No.</b>	<b>Clause reference and page No. of RfP</b>	<b>Queries received from prospective bidders</b>	<b>Clarification / response of SIDBI</b>
1	NA	We understand SIDBI is formed under SIDBI Act and reports to DFS. Is our understanding correct?	As indicated at para 3.1, page 15 of RfP, SIDBI started functioning from on April 02, 1990 under the Small Industries Development Bank of India Act, 1989. SIDBI reports to Department of Financial Services (DFS), Ministry of Finance, Govt. of India.
2	NA	Apart from DFS, who are the other regulators of SIDBI in any commercial or business matters. For eg. We understand, leverage limits are set up by RBI	SIDBI comes under regulatory supervision of RBI and is subjected to periodic inspection by RBI.
3	NA	All references to RFP number will also include reference to the corrigendum on extension for last date. Please confirm. Eg. For reference quoted in Annexures	Yes, all reference shall include RFP number, its original date (December 03, 2018) and date on which corrigendum has been published (December 14, 2018).
4	1.1 Preface - page 6	<p>We understand this RFP is for facilitating new equity investment in SIDBI.</p> <p>What is the quantum of fund to be raised envisaged? Will be equity shares or preference shares or both?</p> <p>Can you also help us understand whether there will any secondary sale of shares by existing shareholders through this RFP? If not through this RFP, is there any other RFP floated/ to be floated?</p> <p>We understand SBI and one more PSU bank want to exit. Kindly provide more inputs on the same</p>	<p>Yes, this RfP is for facilitating new Equity investment in SIDBI</p> <p>The quantum of fund to be raised and the type of shares whether equity or preference would depend on the valuation of SIDBI, as per advice of the Merchant Banker to be appointed for this purpose.</p> <p>There will not be any secondary sale of shares through this RfP. No other RfP has been floated for any secondary sale of shares by existing shareholders.</p> <p>SIDBI has not received any firm proposal either from SBI or any other shareholder about divesting equity share of SIDBI held by them, seeking approval</p>

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			of Board of SIDBI. As of now, we have only received intimation from SBI, Union Bank of India & Bank of India that they have initiated the process for divestment of equity stake held by them in SIDBI. SBI & BoI have intimated that they have appointed Merchant Bankers in this regard. Other than the above, no other communication has been received from any of the existing shareholders in the matter.
5	2.7.4 – Request for Information – page 11	How many bankers are expected to be selected?	One Entity will be selected.
6	3.2 – Objective - page 16	We understand minimum shareholding by GOI should 51% at any given point in time and currently it is wholly owned by GOI, is there any single investor limit set for both PSUs and other investors?	There is no limit set for individual investor.
7	3.3-scope of work-page 16	3.3.i. Kindly elaborate on your preference of having impact funds/ patient funds. Will SIDBI be ok to look at non-PSU financial institutions? Also, is there any preference of domestic/ foreign?	Preference will be for impact / patient funds, irrespective of their constitution.
8	NA	What rights will be offered to in-coming investors	To be decided in consultation with the Merchant / Investment Banker.
9	NA	What the plans to take the company public through an IPO?	To be decided in consultation with the Merchant / Investment Banker.
10	4.3-conflict of interest-page 19 & 20	<ul style="list-style-type: none"> <li>- Can you please define conflict under 4.3.b? Please clarify if: <ul style="list-style-type: none"> <li>o conflict is restricted to equity / preference share fund raising through private market route by a Development Financial Institution as may be created by an</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Para 4.3 is a standardized general clause relating to conflict of interest which can come in way of the investment banker / merchant banker so appointed from carrying on its assignment as per scope of work defined in para 3.3 of RfP. There is no contradiction in any of the sub paras of this clause. Para 4.3(e) requires intimation to be given</li> </ul>

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		<p>act of Parliament (e.g. SIDBI)</p> <ul style="list-style-type: none"> <li>o excludes any transaction for fund raise by an NBFC, private sector bank, PSU Bank</li> <li>o excludes any transaction or fund raise through capital markets (e.g IPO, QIP, FPO, etc)</li> <li>o in case of any future similar transactions (i.e. private market fund raise by a DFI),                             <ul style="list-style-type: none"> <li>▪ we will require to notify you OR</li> <li>▪ seek an approval from you</li> </ul> </li> </ul> <p>prior to accepting such proposal. As you would be aware, we typically manage multiple transactions of fund raise as there are multiple transactions in the financial services sector, especially PSU entities, banks and NBFCs, which raise funds to strengthen the balance sheet. We believe these transactions are independent and each company is different and hence there is typically no conflict.</p> <p>- Also, 4.3.b and 4.3.e are contradictory to each other. Kindly clarify since 4.3.b states no conflict and 4.3.e</p>	<p>by the bidder for any potential conflict as identified by them at any stage of their assignment.</p>

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		<p>states any potential conflict should be informed</p> <ul style="list-style-type: none"> <li>- We understand SIDBI is one of a kind lending institution set up under the SIDBI Act. It is neither an NBFC nor Bank</li> </ul>	<p>SIDBI is an AIFI(All India Financial Institution).</p>
11	5.1- evaluation process- page 22	<p>Kindly elaborate on 'the methodology to be adopted for the proposed assignment'. Does this mean valuation methodologies?</p>	<p>Methodology includes end to end action plan from valuation of SIDBI to selection of investors and final completion of the deal of equity infusion in SIDBI.</p>
12	6.11- undertaking by consultant- page 29	<p>Typically, Investment Banking activities of leading entities are a part of larger financial services group which could be offering multiple types of financial services. Multiple businesses will involve orders, interests, penalties, etc. which may come up as a part of routine business activities. Hence, request you to restrict bullet 1 of clause 6.11 to any material or grave offences/ orders.</p>	<p>First bullet of para 6.11 has been modified and may now be read as under:-</p> <ul style="list-style-type: none"> <li>• The bidder / consultant shall furnish the following Undertaking as a part of the proposal. <i>"We certify that there has been no conviction by a Court of Law or contemplated by court for misconduct, guilty or indictment/adverse order by a regulatory authority for any material and / or grave offence(s) against us/ key persons"</i>.</li> </ul> <p><b>Save and except the above change, other contents of clause 6.11 would remain as it is.</b></p>
13	6.13 & 6.19- indemnity and liquidated damages- page 29-30 and 33	<p>Indemnity &amp; Liquidated Damages – Request you to drop these clauses as typically Investment Bankers do not have a policy to provide indemnity &amp; liquidated damages. However, Representations can be provided.</p>	<p>As regards Indemnity clause contained at Para 6.13 of RfP, it is stated that it is a standard clause and cannot be dropped. However, the extent of indemnification by the bidder to SIDBI would be limited to the extent of the total fee paid / payable by SIDBI to the bidder. <b>Save and except this change, other contents of clause 6.13 would remain as it is.</b></p> <p>About, para 6.19 pertaining to</p>

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			<p>Liquidated damages, it is stated that it is a standard clause and cannot be dropped. However, the extent of liquidated damages shall be restricted to maximum 10% of the total fee paid / payable by SIDBI to the bidder. Further penalty of 0.5% of the order value may be read as 'penalty of 0.5% of the total fee paid / payable by SIDBI to the bidder'. <b>Save and except this change, other contents of clause 6.19 stand as it is.</b></p> <p>Further, it is clarified that in terms of Clause 3.4© of RfP it has been provided that SIDBI expects the assignment to be completed in 12 months' time, which may be extended depending upon need at the sole discretion of SIDBI.</p>
14	7.2- AnnexureB- Technical bid-Bidder's profile- page 37	<p>Annexure B</p> <ul style="list-style-type: none"> <li>- In Sr no. 6, why are details of each director is required? Can we restrict the same to MD &amp; CEO and Joint MD. However, annual report covers the names of other directors</li> <li>-</li> <li>- In Sr. no. 9, kindly elaborate on particulars of infrastructural facilities, can the same be dropped?</li> <li>-</li> <li>- 7.2.B requires details of past assignments on consultancy provided or experience in the previous 5 years. While we shall provide the name of our client and work performed, we may not be in a position to provide details like 'from till to handing date' owing to confidentiality of services</li> </ul>	<p>Details of only Key Managerial Persons needs to be submitted.</p> <p>No it cannot be dropped. Under this head the bidder is required to provide brief details of the office location and related infrastructural facilities.</p> <p>The column of 'Handling' containing from (date) To (date) stands deleted. However, adequate details shall have to be given by the bidder to enable SIDBI to judge the eligibility of the bidder without any ambiguity.</p> <p><b>Save and except the above changes, all other contents of clause 7.2 shall remain as it is.</b></p>

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		provided. Request you to modify the same by dropping 'from till to handing date'	
15	7.4- Annexure D- Minimum eligibility bid-page -39-40	Annexure D - Owing to confidentiality of services, we may not be in a position to provide a certificate indicating transaction of size of assignments undertaken in the last 5 years. However, we shall provide our credentials/ annual reports which cover average transaction size of the deal value disclosed assignments. Also, annual reports are audited by statutory auditors. Request you to drop the requirement of certificate indicating transaction of size of assignments undertaken in the last 5 years	The said clause stipulates certificate from Statutory Auditor / Chartered Accountant / Clients. Hence, the clause is very wide for quick compliance. Hence the said clause is retained.
16	7.7- Annexure G -Pre-contract integrity pact-page-Fall clause and facilitation of investigation-page 44 to 51	Annexure G - Pre-Contract Integrity Pact - Clause 7 & 9 – Typically, these clauses are not applicable for entities like ours providing investment banking services. Request you to drop this clause - Clause 12.3 – Request you to drop the clause or rephrase the clause to allow the parties to approach to the Court	Fall Clause as contained in para 7.1, page 49-50 of the RfP is deleted. As regards clause 9 pertaining to Facilitation of Investigation, the words 'Books of Accounts' are replaced with 'Records / information / data / accounts pertaining to the assignment of SIDBI'. <b>Save and except this, other contents of clause 9 shall remain as it is.</b>  Appointment of an IEM and scope of the assignment to be carried out by him is as per guidelines of CVC. Clause 12.3 only stipulates that the bidder shall have to wait for the decision of the IEM in the matter before approaching the Court of law.
17	NA	Is there any plan to float an	The Shareholders Agreements(SHAs)

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		<p>RFP for valuer and lawyer? If yes, when will they get on board?</p> <p>Also, will SIDBI require to adhere to FEMA guidelines for valuation of capital instruments while issuance or sale?</p>	<p>and any such agreements will be vetted by Banks Legal Vertical. As regards the valuation, the selected Merchant / Investment Banker will prepare the valuation of SIDBI. This valuation may be vetted by independent valuer if needed.</p> <p>FEMA guidelines will be adhered to, if applicable.</p>
18	NA	Please provide specific reasons for NPAs and write offs since SIDBI lends only to financial institutions. Why will there arise NPAs from such borrowers?	Please refer to our Annual Reports.
19	NA	Under schedule VIII of the Consol Balance Sheet for FY18 and previous years, kindly elaborate the difference between Refinance and Direct Loans. Does Direct loans mean loans directly to SMEs/ MSMEs?	Refinance means lending to eligible Primary Lending Institutions i.e Banks, SFCs, NBFCs, SFBs, MFIs etc for the loans extended by such PLIs to MSMEs, Direct Finance means extending financial support (both fund based and non-fund bases) directly to MSMEs through SIDBI's own branches.
20	NA	Consol Financials – Why has Net Interest Margin (Interest Income + Processing Fees – Interest Expense)/ Average Advances on a declining trend since FY14? It has been 3.1%, 2.4%, 2.3%, 1.9% since FY14 till FY18	Please refer to our Annual Reports.
21	NA	Consol Financials – Why are provisions released in FY15? There is an income of INR 197 Cr. Also, Why is provisioning expenses reducing since FY16? It was INR 235 Cr in FY16 which has reduced to INR 66 Cr in FY18	Please refer to our Annual Reports.
22	NA	Please provide the details of fund raise in FY16 and FY17. Who were the investors?	Please refer to our Annual Reports.

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23	NA	Please provide the details of secondary sale of shares in the last 5 FYs. No. of shares and price per share	During the last five years, only IDBI Bank sold 7,93,60,312 number of Equity Shares of SIDBI held by them to other PSBs / FIs. The price at which such shares were sold by IDBI Bank is not available with SIDBI.
24	NA	Can you please explain the nature of deposits under schedule III of Consol Balance Sheet	Please refer to our Annual Reports.
25	NA	What is the latest shareholding pattern? Is it the same as on 17 Sep 2018 uploaded here <a href="https://sidbi.in/shareholding.php">https://sidbi.in/shareholding.php</a>	Yes. It is the same as on September 17, 2018 as uploaded in the website.
26	NA	For what purpose the amount raised shall be utilized	To increase the equity base with diversified investors base, besides utilizing for business purposes.
27	NA	Bid validity is 6 months whereas assignment to be completed in 12 months	<p>Bid Validity means that the commercial bid quoted by the bidder shall remain valid for a period of six months from the last date of its submission.</p> <p>However, as per clause 3.4 (c), SIDBI expects the assignment to be completed in 12 months' time from the formal award of the assignment, which may be extended depending upon need at the sole discretion of SIDBI.</p>