

December 30, 2015

CARE REAFFIRMS RATINGS TO THE ENHANCED AMOUNT OF CP/ CERTIFICATE OF DEPOSIT PROGRAM OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Commercial Paper/ Certificate of Deposit program	18,000 (enhanced from 12,000)	CARE A1+ (A One Plus)	Reaffirmed
Total	18,000 (Rupees Eighteen thousand crore only)		

Outstanding ratings

Facilities	Amount (Rs. crore)	Ratings
Unsecured Bonds	18,686.6	CARE AAA (Triple A)
RIDF Deposits	30,000	CARE AAA (Triple A)
Fixed Deposits	3,000	CARE AAA (FD) [Triple A (Fixed Deposits)]
Issuer Rating	-	CARE AAA (Is) [Triple A (Issuer Rating)]

Rating Rationale

The ratings factor in SIDBI's position as the apex financial institution for the promotion and development of the micro, small and medium enterprises (MSME) sector. The ratings also factor in the Government of India's support in the form of guarantee for foreign currency borrowings and continued access to RIDF funds for strengthening the bank's refinancing capabilities besides ownership by the Government of India and through public sector entities owned and controlled by the Government of India. The ratings also take into account the healthy capitalization levels, strong resources profile, comfortable liquidity profile and moderate asset quality. Continuation of SIDBI's position as the apex financial Institution for the MSME sector, ownership and support from the Government of India and asset quality are the key rating sensitivities.

Background

SIDBI was incorporated as a wholly owned subsidiary of IDBI Ltd. in 1990, however currently IDBI Bank's shareholding is around 17.75%, State Bank of India (14.35%), LIC of India (13.34%) and Government of India (7.59%) are the other majority shareholders. SIDBI is the apex financial institution for the MSME sector.

SIDBI provides refinance to primary lending institutions like banks, State Financial Corporation (SFCs) and State Industrial Development Corporations (SIDCs), etc. which in turn lend to units under the MSME sector. SIDBI also provides direct finance to the MSME sector by way of long term loans, working capital facilities, discounting / rediscounting bills of exchange, etc. As on March 31, 2015, SIDBI has three wholly-owned subsidiaries, viz. SIDBI Venture Capital Ltd. (SVCL), SIDBI Trustee Co. Ltd. (STCL) and Micro Units Development & Refinance Agency Ltd. (Mudra). Government of India (GoI)

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

has announced plans to set up a Micro Units Development & Refinance Agency (MUDRA) Bank through a statutory enactment.

MUDRA would be responsible for developing and refinancing all institutions which are in the business of lending to micro / small business entities engaged in manufacturing, trading and service activities. The Bank would partner with State level / Regional level coordinators to provide finance to last mile financiers of small / micro business enterprises. Since the enactment is likely to take some time, government initiated MUDRA as a wholly owned subsidiary of SIDBI to benefit from SIDBI's initiatives and expertise.

SVCL acts as the asset management company of the National Venture Fund for Software and Information Technology Industry (NFSIT) set up in 1999 and SME Growth Fund (SGF) launched on October, 2004; the India Opportunities Fund established in August 2011; Samridhhi Fund in June 2013 and Tex Fund in April 2014.

During FY15 (refers to the period April 1 to March 31), SIDBI earned a PAT of Rs.1,417 crore on a total income of Rs.5,741 crore as compared to PAT of Rs.1,118 crore on a total income of Rs.5,808 crore in FY14. The FI is well capitalized with overall CAR of 36.69% as on March 31, 2015. The asset quality was moderate during FY15 with Gross and Net NPA at 1.33% and 0.78%, respectively, as on March 31, 2015, compared with Gross and Net NPA at 1.86% and 0.45%, respectively, at the end of FY14.

During H1FY16, SIDBI earned a PAT of Rs.562 crore on a total income of Rs.2,689 crore. As on September 30, 2015, Gross NPA and Net NPA ratios were 1.91% and 0.96% respectively.

For the detailed rationale of SIDBI, please refer to our website www.careratings.com (dated: November 19, 2015).

Note:-Mr. V. K. Chopra, who is a Director on the board of SIDBI Venture Capital Ltd. (a subsidiary of SIDBI), is a member of the Rating Committee in CARE. Mr. Chopra did not participate in the rating process or in the meeting of the Rating Committee when the rating of SIDBI was discussed.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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