

# SME Roundup

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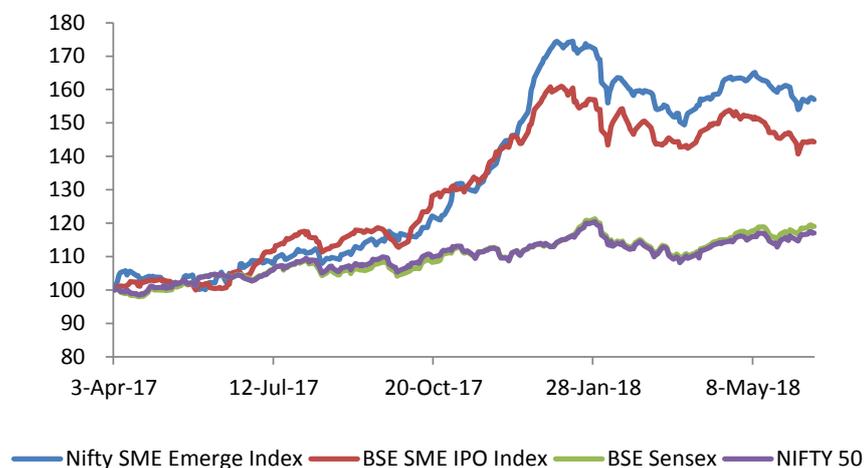
## Highlights

- Over the last fortnight, the SME indices have reduced while the broad market indices have remained flat.
- HSBC plans to increase its funding to SMEs, while Yes Bank and SIDBI have partnered to increase lending to SMEs.
- Telangana government is setting up an industrial park for SMEs, while, Ministries of MSME and AYUSH are collaborating to promote SMEs in the Ayush sector.
- The NSE is working towards enabling technology start-ups to list on the Emerge platform

## 1. Capital Market Movement

### Index Movement

#### SME Index Movement

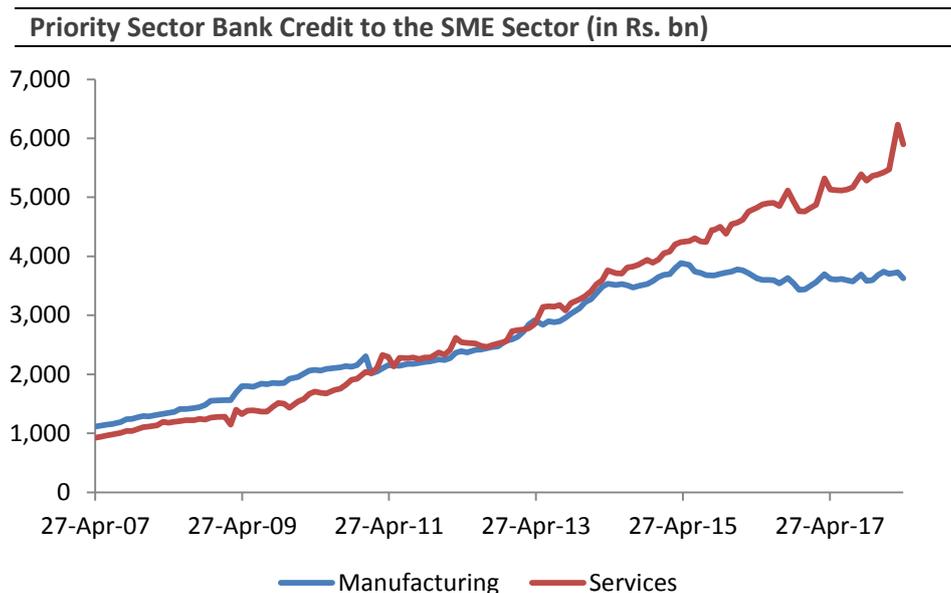


Source: NSE, BSE

| Index            | 31/05/18  | 15/06/18  | % change |
|------------------|-----------|-----------|----------|
| Nifty SME Emerge | 1,725.09  | 1,685.68  | -2.3     |
| BSE SME IPO      | 1,912.99  | 1,879.29  | -1.8     |
| BSE Sensex       | 35,322.38 | 35,622.14 | 0.8      |
| Nifty 50         | 10,736.20 | 10,817.70 | 0.8      |

Source: NSE Emerge, BSE SME Platform

## 2. Sectoral Deployment of Credit



Source: RBI

| Sector                               | Outstanding as on (Rs bn) |               |               | % Change       |            |
|--------------------------------------|---------------------------|---------------|---------------|----------------|------------|
|                                      | Apr. 28, 2017             | Mar. 30, 2018 | Apr. 27, 2018 | FY19 till date | Y-o-Y 2018 |
| <b>Micro &amp; Small Enterprises</b> | 8,749                     | 9,964         | 9,526         | -4.4           | 8.9        |
| Manufacturing                        | 3,618                     | 3,730         | 3,629         | -2.7           | 0.3        |
| Services                             | 5,131                     | 6,234         | 5,897         | -5.4           | 14.9       |

Source: RBI

## 3. Key Developments

### [Yes Bank inks pact with SIDBI to act as a financial facilitator to provide loans to MSMEs](#)

SIDBI and Yes Bank have signed a MoU, under which Yes bank will act as a preferred financial institution for giving loans to MSMEs. Under this, the SMEs would avail working capital finance from SIDBI which will be channelized using the Yes Bank platform.

Impact: Access to formal credit is always a challenge for the SME segment. Any mechanism which increases capital flows to the SME sector is welcome.

### [MSME Industrial Green Park to be launched soon in Yadadri district of Telanagna](#)

According to Mr. K.T. Rama Rao, the State Industries Minister, an industrial park for green category MSMEs will be set up shortly in Dandumalkapur, Telangana. This Park would cover 377 acres with a projected investment of approximately Rs 750 crore and is expected to generate employment for 12,250 people.

Impact: Any government measure to increase formal employment and improve access to facilities for the SME sector is always welcome. However, time bound implementation would be the key to its success.

#### **Tech start-up listing: NSE considers tweaking SME platform**

According to Vikram Limaye, CEO, NSE, the NSE could modify listing norms on the Emerge platform, meant for SMEs, to facilitate the listing of technology start-ups. The modifications would be necessary as technology start-ups have their own set of requirements and attract a particular set of investors.

Impact: Broadening rules to increase the number of listed entities is welcome as this would provide technology start-ups alternative funding options. However, care would have to be taken to ensure that investors are made aware of listing in such companies as such companies have a separate set of risks attached to them.

#### **Ministries of MSME and AYUSH collaborate for development of enterprises**

The Ministry of MSME and Ministry of Ayush have signed a MoU to develop enterprises in the traditional medicine sector “AYUSH”. Under this partnership, both the ministries would organize regional workshops for entrepreneurship development in AYUSH sector. The MSME ministry would also frame Ayush specific schemes to enable SMEs access finance at favourable terms.

Impact: Such partnerships are important because they promote both traditional knowledge and foster entrepreneurial activity in the SME sector. However, timely fund allocation and time bound implementation would be the key to its success.

#### **HSBC to lend more to SMEs despite risk**

HSBC Bank plans to increase lending to the SME sector in India due to the growing demand, high yields and due to the limited pool of mid-cap companies. The bank plans to lend to companies who have a turnover of Rs 50-150 crore.

Impact: Access to formal credit is always a challenge for the SME segment. Any measures, whether public or private, that improves availability of finance to SMEs is welcome as it would enable SMEs to access capital for faster growth.

#### **5th Indian International MSME Startup Expo 2018 to be held in Delhi**

The 5<sup>th</sup> India International MSME Startup Expo is being held from 22<sup>nd</sup> to 24<sup>th</sup> June, 2018 at Pragati Maidan, New Delhi. The expo aims to connect domestic and international SMEs and generate business opportunities for the same. Approximately 15-20 countries including Afghanistan, Bangladesh, Ethiopia, Thailand, and Poland are expected to participate in the expo.

#### 4. Other Updates

##### SMEs impacted by discontinuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs)

It is well known that MSMEs (Micro, Small and Medium Enterprises) provide good opportunities for both self-employment and wage employment and consistently registered a higher growth. The sector accounts for about 45 percent of the manufacturing output and 40 per cent of the total exports of the country. However, the recent banking fraud has started impacting them on the trade finance front.

Small Indian importers or the MSMEs are not well recognized in the international market and therefore the international suppliers demand payment in advance or Letter of credit (LC) against the supplies. Accordingly, MSME's used to import their raw materials from international market on LCs and the same was settled off by taking Buyers Credit finance. The Buyers Credit finance gave the MSMEs an extended credit period of around 90 to 180 days in addition to carrying low interest rates against other trade finance instruments.

With the circular from Reserve Bank of India (RBI) in the recent past for discontinuance of letter of Undertaking (LOUs) and Letter of Comfort (LOCs) for trade credit, doing away with these trade instruments (i.e. Letter of Undertaking/Buyers Credit and Letter of Comfort) has raised the working capital cost of the MSMEs which would impact their profitability going ahead. Further, the recent hiking of the repo rate (by 25 bps) by RBI would also result in added burden on the vibrant sector of the Indian economy i.e. MSMEs.

##### CARE Ratings' presence in SME related activities



Mr. Saikat Roy, Director & Head, SME was a panellist in the session "Credit rating and relevance of bureau and mitigating risk through appropriate Insurance Coverages" at the CII SME Finance Summit held on June 07, 2018.

Mr. Munish Dhawan, Director North and others conducted a presentation on Credit Rating Process and Methodology at Union Bank of India, Regional Office – Vadodara. Mr. Ravi Shankar, AGM Union Bank of India, SME Saral, Vadodara and the regional credit team participated in the session.





Mr. Manish Kumar (Senior Manager) and Mr. Aakash Jain (Assistant Vice President) conducted a session on Credit Rating Methodology for credit team at Andhra Bank Zonal Office, Vishakhapatnam

Mr. Kalpesh Patel (Associate Director), Mr. Munish Dhawan (Director), Mr. Devesh Kemkar (AVP) and others conducted a session on Credit Rating Process and Methodology at Bank of India – SME City Center (Ahmedabad) and its clients.



Ms. Jhumur Roy Chowdhury (Senior Manager) conducted a session for credit officers at Bank of India Staff Training College, Kolkata