

SME Roundup

May 02, 2018 | Research

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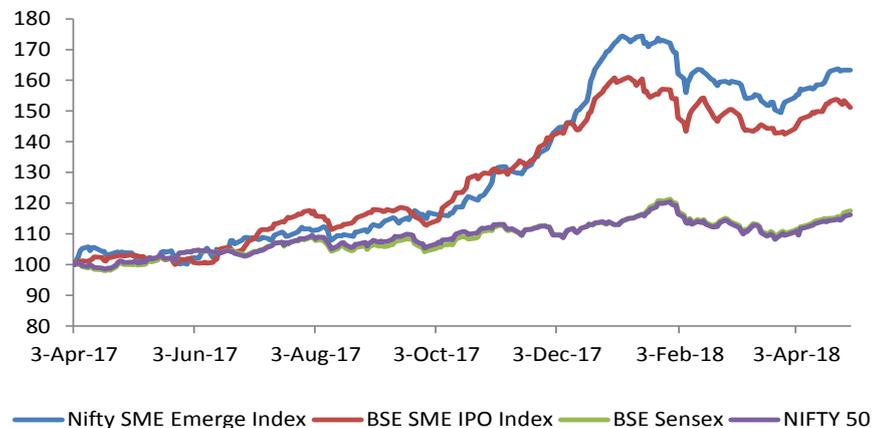
Highlights

- Over the last fortnight, the SME indices have remained broadly flat in line with the broad market indices.
- The government has undertaken efforts to growth the SME sector by organising an international trade show to broaden the appeal of Indian SMEs.
- Allahabad Bank announced plans to increase its SME loan portfolio especially in South India and Odisha

1. Capital Market Movement

Index Movement

SME Index Movement



Source: NSE, BSE

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| Index | 13/04/18 | 30/04/18 | % change |
|------------------|-----------|-----------|----------|
| Nifty SME Emerge | 1,701.20 | 1,755.01 | 3.2 |
| BSE SME IPO | 1,950.60 | 1,968.23 | 0.9 |
| BSE Sensex | 34,192.65 | 35,160.36 | 2.8 |
| Nifty 50 | 10,480.60 | 10,739.35 | 2.5 |

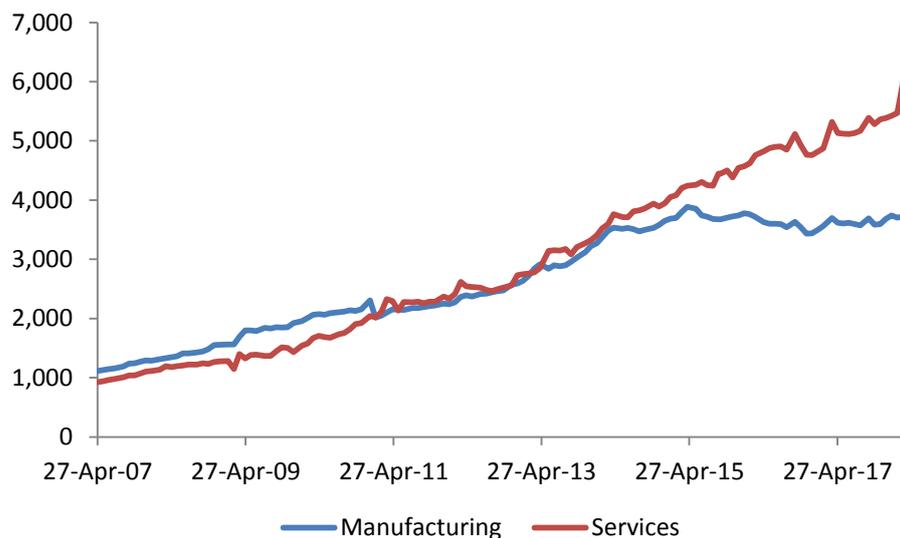
Source: NSE Emerge, BSE SME Platform

Upcoming IPOs

| No | Company Name | Start Date | End Date | Issue Size | Issue Price | Lot Size | Platform |
|----|----------------------|------------|-----------|------------|-------------|----------|------------|
| 1 | EZE Networks Limited | 03-May-18 | 07-May-18 | 38,58,000 | 57 | 200 | NSE Emerge |

2. Sectoral Deployment of Credit

Bank Credit to the MSME Sector (in Rs. bn)



Source: RBI

| Sector | Outstanding as on | | | % Change | |
|---------------------------|-------------------|--------------|----------------|-----------------------------|-----------------------------|
| | Mar.18, 2016 | Mar.31, 2017 | March 30, 2018 | Mar.31, 2017 / Mar.18, 2016 | Mar.30, 2018 / Mar.31, 2017 |
| Micro & Small Enterprises | 8,476 | 9,020 | 9,964 | 6.4 | 10.5 |
| Manufacturing | 3,715 | 3,697 | 3,730 | -0.5 | 0.9 |
| Services | 4,761 | 5,322 | 6,234 | 11.8 | 17.1 |

Source: RBI

3. Key Developments

[New industrial policy to boost MSME sector](#)

According to the Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu the new Industrial Policy, which is expected to be announced would create a suitable ecosystem for the SME sector. The new Industrial Policy would emphasise the role of Self Help Groups (SHGs).

Impact: Any governmental policy which would enable the SME sector to grow would be viewed favourably by the industry participants. However, implementation of the same would remain key

Allahabad Bank to focus on SME, retail loans

Allahabad Bank has announced that it would equip 25 out of its 324 branches in South and Odisha with specialised facilities to grow the SME loan portfolio. The bank expects to raise the share of advances to SMEs from around 18% to 23%.

Impact: Access to formal credit is always a challenge for the SME segment. Movement by any Bank to raise its exposure to the sector would be beneficial and bring the SME companies in the formal banking system.

First Ever International SME Convention-2018 in New Delhi

Four hundred SMEs from India along with 160 SMEs from 39 countries participated in the first International SME Convention organised by the MSME Ministry where panel discussions were undertaken on SME development and cooperation, global business opportunities for SMEs, problems faced by women entrepreneurs. The convention also witnessed the signing of 23 agreements between Indian SMEs and their overseas counterparts across 12 sectors.

Impact: Such international conventions enable cooperation across countries and assist companies in increasing their global reach. Governmental efforts which result in increasing the revenues as well as the reach of SMEs are important to the growth of the sector.

Need for More Agro Clusters Under MSME for Job Creation In Rural Areas

Giriraj Singh, the MoS MSME, has stated the importance of setting up additional more agro clusters to increase job creation especially for women in the rural areas. He also emphasised the need for the various MSME schemes to reach across the villages.

Impact: It is heartening to note that the government understands the importance of rural job creation. However, rhetoric would not enable job creation unless followed by sustainable action with ongoing monitoring

4. Other Updates

Guest Update: Thoughts on the Micro, Small and Medium Enterprises (MSME)



Mr. K. P. Acharya
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The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector contributes largely in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets.

With an attempt to redefine MSME, the union cabinet has proposed to classify MSME based on their annual turnover replacing existing current definition that relies on investment on Plant & Machinery. RBI has done away with loan limits of Rs.5-10 crs per borrower in MSME segment. All Bank Loans will qualify under priority sector without any credit caps. Our government realizes the urgency for providing a fast paced growth to MSME sector and therefore, coming years will further witness strengthening of current policies and introduction of new initiatives to improve the business environment for MSMEs like CLSS, ZED, Credit Guarantee Scheme, MUDRA etc.

A major constraint in the growth of the SME sector has been non-availability of easy finance. Not all small and medium enterprises find favor with traditional banks when it comes to lending, courtesy lack of experience, absence of collaterals and infrastructure, poor financials, and small ticket size. Given their significant online presence, several modern fintech players are making it convenient for the SMEs to receive loans. The coming years will experience a surge in NBFCs with special focus on offering customized loan solutions on online platforms. Creating a disruption in the industry and for good, these alternative lending companies analyse credit worthiness of the sellers using analytics and other scanning metrics like their sales and fulfillment records and can disburse loans in less than 48 hours. Some of the Banks are also partnering with new age Fintechs to expand their reach especially in the SME sector.

The issue of NPAs continues to plague our economy. MSMEs account for 17.4 per cent of total NPAs today. They have been caught in the pincer effect of the NPA crisis and transition impacts of demonetization and GST.

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. Under these guidelines Banks have created a structure for finalizing corrective action plan for revival & rehabilitation of MSMEs. Before a loan account of an MSME turns into a Non-Performing Asset (NPA), banks or creditors should identify incipient stress in the account. Any MSME borrower may also voluntarily initiate proceedings under this Framework.

Today, in India the mindset is such that we are happy to project ourselves as disabled and try to corner the reservations/ concessions, MSME sector is no exception. It should be noted that we should be proud to say we have grown big and throw away the 'walker' so that we can 'run' to reach greater heights. When one door closes, ten others open up. We must realize that there are values for brand image and with increase in size, the negotiating power of the firm/company increases with respect to seeking credit from Banks and also other cheaper sources like equity market open up.

To sum up, today there is an excellent environment in place for growth of MSMEs, what is required is just change of mindset of both the traditional bankers as well as MSMEs.

(Views expressed are personal)