

Small Industries Development Bank of India (Revised)

July 07, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short-term bank facilities	24,500.00 (Enhanced from 15,000.00)	CARE A1+ (A One Plus)	Reaffirmed
Short-term bank facilities	15,000.00	CARE A1+ (A One Plus)	Revised from CARE AAA; Stable (Triple A; Outlook: Stable)
Total bank facilities	39,500.00 (₹ Thirty-nine thousand five hundred crore only)		
Issuer rating [§]	0.00	CARE AAA (Is); Stable [Triple A (Issuer Rating); Outlook: Stable]	Reaffirmed
Total instrument	0.00		
Long-term instruments	170,000.00 (Enhanced from 150,000.00)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Unsecured redeemable	46,000.00 (Enhanced from 21,861.50)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Total long-term instruments	216,000.00 (₹ Two lakh sixteen thousand crore only)		
Fixed deposit	18,000.00 (Enhanced from 10,000.00)	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Total medium-term instruments	18,000.00 (₹ Eighteen thousand crore only)		
Long-term/Short-term instruments	46,000.00	CARE AAA; Stable/CARE A1+ (Triple A; Outlook: Stable/ A One Plus)	Reaffirmed
Total long-term/Short-term instruments	46,000.00 (₹ Forty-six thousand crore only)		

Details of instruments/facilities in Annexure-1.

[§]Subject to SIDBI maintaining its borrowing levels within regulatory limits.

Detailed rationale and key rating drivers

The ratings assigned to Small Industries Development Bank of India (SIDBI) continue to factor-in its position as the apex financial institution for the promotion and development of the micro, small and medium enterprises (MSME) sector in India. The ratings also continue to factor-in the Government of India's (GOI's) support in the form of equity contribution and governance (GOI has the power to appoint the Chairman and Managing Director (CMD), two Whole-time Directors and two Nominated Directors on the Board of SIDBI), guarantee for foreign currency borrowings, and continued access to the MSE Refinance Fund (Rural Infrastructure Development Fund (RIDF)) for strengthening the bank's refinancing capabilities, besides SIDBI's ownership by public sector entities. The ratings continue to consider SIDBI's healthy capitalisation levels, strong resource profile, comfortable liquidity profile and moderate asset quality.

The continuation of SIDBI's position as the apex financial institution for the MSME sector, government support, and ownership by public sector entities, capitalisation levels and asset quality, and profitability are the key rating sensitivities.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade: Not Applicable

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any material changes in the government support and/or strategic role played by SIDBI in supporting the MSME sector.
- Significant dilution in ownership by GOI and public sector entities.
- Deterioration in SIDBI's asset quality with gross non-performing asset (GNPA) ratio increasing to more than 3% of the total advances.
- Deterioration in SIDBI's standalone credit profile, including its profitability, liquidity and/or capitalisation metrics.

Detailed description of the key rating drivers

Key rating strengths

Government support and ownership by public sector entities: SIDBI, being a nodal agency for the development of MSMEs in the country, receives continuous support from the GOI and the Reserve Bank of India (RBI) in the form of budgetary support and access to the MSE Refinance Fund from shortfall in priority sector lending (PSL) by the banks. SIDBI is owned by public sector banks, financial institutions, and the GOI, with the State Bank of India (SBI; 15.65%), GOI (20.85%), the Life Insurance Corporation of India (LIC; 13.33%) and the National Bank for Agriculture and Rural Development (NABARD; 9.36%), being the major shareholders.

The GOI has appointed Sivasubramanian Ramann as the Chairman and Managing Director of SIDBI, nominated Devendra Kumar Singh (IAS; Additional Secretary & Development Commissioner (MSME), Ministry of MSME) and Lalit Kumar Chandel (IAS; Additional Secretary, Development of Financial Services) as the nominee directors.

Healthy capitalisation levels: SIDBI's capital adequacy parameters remained strong, with the bank reporting an overall capital adequacy ratio (CAR) of 24.28% as on March 31, 2022 (P.Y.: 27.49%). During FY22 (refers to the period April 1 to March 31), SIDBI has increased its advance base by 29.46% after a negative growth in FY21, thereby resulting in increase in the risk weighted assets.

The overall gearing increased from 7.75x as on March 31, 2021, to 9.05x as on March 31, 2022, owing to increase in the domestic borrowings to fund growth in advances. The RBI has enhanced the borrowing limit of SIDBI to 14x of its net-owned funds (NOF) until March 31, 2023. SIDBI had received approval from the RBI for an umbrella limit to 300% of NOF up to March 31, 2023. The 'umbrella limit' consists of five instruments, viz., term deposits, term money borrowings, certificates of deposits (CDs), commercial papers (CPs) and inter-corporate deposits (ICDs).

Strong resource profile: SIDBI has a very strong resource profile, consisting of mainly domestic and some overseas borrowings. Some of the overseas borrowings of SIDBI are guaranteed by the GOI. SIDBI also has access to the low-cost MSE Refinance Fund from scheduled commercial banks due to their shortfall in PSL targets, which forms a large portion of its resource profile. As on March 31, 2022, domestic market borrowings constituted 36.59% (P.Y.: 23.0%), MSE (RIDF) deposits constituted 61.07% (P.Y.: 73.03%) of the total borrowings, respectively, with overseas borrowings constituting 2.35% (P.Y.: 3.97%).

Moderate profitability and spreads: During FY22, the bank's total income decreased by 18.15% owing to a 14.74% decline in interest income. Interest income declined as much of the growth in advances occurred during the last quarter of FY22. Also, yield on advances plunged to 4.02% in FY22 from 5.49% in FY21 and 6.61% in FY20 on account of fall in the interest rates in the past two years. As yields declined at a faster pace than reduction in cost of funds, the interest spread moved down by 45 bps to 1.02%. Correspondingly, the net interest income (NII) was 18.1% lower at ₹3,012 crore in FY22. Overall, the spread in the lending activity is low due to the cap on the margin that SIDBI can charge for lending to banks and financial institutions (FIs) against RIDF deposits. SIDBI reported a one-time gain of ₹518 crore during Q1FY21 on account of reversal of funds from exchange risk fluctuation fund, as approved by the GoI. Resultantly, the overall profitability declined from 1.32% in FY21 to 0.92% in FY22.

Asset quality: The asset quality of SIDBI has been improving over the years, consequent to the bank entering into settlements with state finance corporations (SFCs) and having stopped taking additional exposures. Currently, majority of its lending portfolio comprises indirect financing, which predominantly constitutes banks and other finance companies, including NBFCs. Indirect finance constituted 92.90% (FY21: 92.57%) of the total portfolio as on March 31, 2022, while direct financing stood at 7.10% (FY21: 7.43%). Of the indirect finance portfolio, refinance to banks (including SFBs) constituted 82.49% (FY21: 84.27%) of the total portfolio of the bank, assistance to NBFCs constituted 8.87% (FY21: 7.23%) of the total portfolio, while assistance to MFIs (including SFCs) constituted 1.54% (FY21: 1.07%). SIDBI's gross NPAs decreased to ₹218 crore in FY22 from ₹282 crore in FY21. This in conjunction with significant growth in the advances improved gross NPA ratio and net NPA ratio to 0.11% (FY21: 0.18%) and 0.07% (FY21: 0.12%), respectively, as on March 31, 2022. The asset quality in the indirect financing segment remains strong; and most of the NPAs are from direct finance. The restructured assets formed 3.01% of the direct advances portfolio, which formed just 0.21% of the overall advances portfolio, as on March 31, 2022.

Liquidity: Strong

The liquidity profile is strong, on account of the longer tenure borrowings vis-à-vis shorter tenure lending. SIDBI's liquidity profile, as on March 31, 2022, exhibits positive cumulative mismatches across all-time buckets. SIDBI had cash and deposits

with banks, of ₹17,918 crore, as on March 31, 2022. It also has strong access to the money market due to its status as an apex financial institution, owned by the GOI and its entities.

Analytical approach

While SIDBI's standalone profile as been considered, the assessment also factors-in the support it receives from GOI.

Applicable criteria

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Financial Sector](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Banks](#)

[Factoring Linkages Government Support](#)

About the company

SIDBI is the apex financial institution for the MSME sector and is the nodal agency for the MSME-oriented schemes of the GOI. As on March 31, 2022, State Bank of India (SBI; 15.65%), GOI (20.85%), the Life Insurance Corporation of India (LIC; 13.33%) and the National Bank for Agriculture and Rural Development (NABARD; 9.36%) are the major shareholders. SIDBI provides refinance to primary lending institutions like banks (including SFBs), NBFCs, MFIs, 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, 2022, SIDBI had three wholly-owned subsidiaries, viz., SIDBI Venture Capital Limited (SVCL), SIDBI Trustee Co Limited (STCL) and Micro Units Development & Refinance Agency Limited (MUDRA). GOI has set up MUDRA through a statutory enactment. MUDRA is responsible for developing and refinancing all institutions that are in the business of lending to micro/small business entities engaged in the manufacturing, trading and service activities. MUDRA would partner with state-level/regional-level coordinators to provide finance to the last mile financiers of small/micro business enterprises.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	12,090	11,165	9,139
PAT	2,315	2,494	2,012
Interest coverage (times)	1.36	1.48	1.42
Total assets	186,985	191,974	246,564
Net NPA (%)	0.40	0.12	0.07
ROTA (%)	1.35	1.32	0.92

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Short-term	-	-	-	-	15000.00	CARE A1+
Fund-based-Short-term	-	-	-	-	24500.00	CARE A1+
Issuer rating-Issuer ratings	-	-	-	-	0.00	CARE AAA (Is); Stable
Bonds-Unsecured redeemable	INE556F08JM3	01-Aug-19	7.29%	01-Aug-22	1000.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JN1	08-Aug-19	6.99%	08-Aug-22	1000.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JO9	29-Aug-19	6.80%	29-Sep-22	950.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JP6	27-Feb-20	6.27%	27-Feb-23	620.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JQ4	18-Aug-20	4.90%	18-Aug-23	500.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JR2	17-Dec-20	4.58%	18-Dec-23	250.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JS0	26-Mar-21	5.24%	26-Mar-24	1900.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JT8	17-Jun-21	4.97%	17-Jun-24	550.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JU6	21-Feb-22	5.59%	21-Feb-25	2500.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JV4	02-Mar-22	5.57%	03-Mar-25	2500.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JW2	16-Mar-22	5.40%	17-Mar-25	1525.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JX0	28-Mar-22	5.70%	28-Mar-25	1625.00	CARE AAA; Stable
Bonds-Unsecured redeemable	INE556F08JY8	31-May-22	7.15%	02-Jun-25	2500.00	CARE AAA; Stable
Bonds-Unsecured redeemable (Proposed)	-	-	-	-	28,580.00	CARE AAA; Stable
MSE/RIDF deposits	-	-	-	-	170000.00	CARE AAA; Stable
LT/ST Instrument-CP / CD	INE556F14IB6	17-Jan-22	4.55%	16-Dec-22	1000.00	CARE AAA; Stable / CARE A1+

LT/ST Instrument-CP / CD	INE556F14ID2	02-May-22	4.65%	31-Oct-22	3500.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F14IE0	25-May-22	6.12%	27-Feb-23	2550.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16887	10-Jan-2022	4.62%	10-Jan-2023	850.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16895	18-Jan-2022	4.62%	18-Jan-2023	1000.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16903	31-Jan-2022	4.65%	31-Jan-2023	1000.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16911	14-Feb-2022	4.92%	14-Feb-2023	1200.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16929	15-Feb-2022	4.92%	15-Feb-2023	1300.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16937	22-Feb-2022	4.76%	22-Feb-2023	3300.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16945	3-Mar-2022	4.80%	3-Mar-2023	2500.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16952	23-Mar-2022	4.85%	23-Mar-2023	2500.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16960	30-May-2022	6.30%	30-May-2023	2200.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD	INE556F16978	7-Jun-2022	6.40%	7-Jun-2023	925.00	CARE AAA; Stable / CARE A1+
LT/ST Instrument-CP / CD (Proposed)	-	-	-	-	22175.00	CARE AAA; Stable / CARE A1+
Fixed deposit	-	-	-	-	18000.00	CARE AAA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	LT/ST instrument-CP / CD	LT/ST*	46000.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (02-Sep-21)	1)CARE AAA; Stable / CARE A1+ (04-Sep-20)	1)CARE AAA; Stable / CARE A1+ (31-Jan-20) 2)CARE AAA; Stable / CARE A1+ (04-Oct-19)

2	Fixed deposit	LT	18000.00	CARE AAA; Stable	-	1)CARE AAA (FD); Stable (28-Feb-22) 2)CARE AAA (FD); Stable (02-Sep-21)	1)CARE AAA (FD); Stable (04-Sep-20)	1)CARE AAA (FD); Stable (04-Oct-19)
3	MSE/RIDF deposits	LT	170000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (02-Sep-21)	1)CARE AAA; Stable (28-Sep-20) 2)CARE AAA; Stable (04-Sep-20)	1)CARE AAA; Stable (31-Jan-20) 2)CARE AAA; Stable (04-Oct-19)
4	Bonds	LT	-	-	-	-	-	1)Withdrawn (30-Apr-19)
5	Bonds	LT	-	-	-	-	-	1)Withdrawn (31-Jan-20) 2)CARE AAA; Stable (04-Oct-19) 3)CARE AAA; Stable (30-Apr-19)
6	Issuer rating-Issuer ratings	Issuer rat	0.00	CARE AAA (Is); Stable	-	1)CARE AAA (Is); Stable (02-Sep-21)	1)CARE AAA (Is); Stable (04-Sep-20)	1)CARE AAA (Is); Stable (04-Oct-19)
7	Bonds-Unsecured redeemable	LT	46000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (28-Feb-22) 2)CARE AAA; Stable (02-Sep-21)	1)CARE AAA; Stable (04-Sep-20)	1)CARE AAA; Stable (31-Jan-20) 2)CARE AAA; Stable (04-Oct-19) 3)CARE AAA; Stable (30-Apr-19)
8	Fund-based-Short term	ST	15000.00	CARE A1+	-	1)CARE AAA; Stable (28-Feb-22) 2)CARE AAA; Stable (02-Sep-21)	1)CARE AAA; Stable (28-Sep-20) 2)CARE AAA; Stable (04-Sep-20)	1)CARE AAA; Stable (04-Oct-19) 2)CARE AAA; Stable (14-Jun-19)
9	Fund-based-Short term	ST	24500.00	CARE A1+	-	1)CARE A1+ (28-Feb-22) 2)CARE A1+ (02-Sep-21)	1)CARE A1+ (28-Sep-20)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
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1	Bonds-Unsecured redeemable	Simple
2	Fixed deposit	Simple
3	Fund-based-Short-term	Simple
4	LT/ST instrument-CP / CD	Simple
5	MSE/RIDF deposits	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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