



JICA – SIDBI Financing Scheme for Energy Saving Projects in MSME Sector (Phase III)

The Japan International Cooperation Agency (JICA) has extended the third Line of Credit to Small Industries Development Bank of India (SIDBI) under the Phase III of the Micro, Small and Medium Enterprises (MSMEs) Energy Saving Project for financing Energy Efficiency (EE) opportunities in MSMEs. The Scheme is expected to encourage MSME units to undertake energy saving investments in plant and machinery to reduce energy consumption, enhance energy efficiency, reduce CO₂ emissions, and improve the profitability of the units in the long run.

MSMEs can also seek technical assistance for successful implementation. This will result in energy saving in MSME sector, thereby contributing to environmental improvement and socio-economic development in the country and address the climate change concerns.

Reduce Energy Bill

Improve Profitability

Lower Interest Rate

Quick Payback

More than 4,200 MSMEs already benefitted

Eligible Sub-Projects / Energy Saving Equipment List

The energy saving sub-project under this initiative means –

- ❖ Acquisition (including lease and rental) of energy saving equipment/ facilities, including newly installing, remodeling and upgrading of those existing,
- ❖ Replacement of obsolete industrial furnaces and/or boilers or burners etc. or introduction of additional equipment which improve performance comparable to those of replacement,
- ❖ Installation or improvement or adoption of such manufacturing machinery and equipment that meet the specific requirements for energy performance standard provided by the related energy conservation act/code in India (e.g. Top Runner Equipment, Energy Labels etc.)¹,
- ❖ Green buildings – Installation of building envelopes,

equipment, heating systems, lighting, and electrical power/ motors in compliance with the Energy Conservation Building Code (ECBC)²/ LEED/ GRIHA/ IGBC,

- ❖ Setting up health centres, pharmacy labs, pathology labs, diagnostic labs, clinics etc.
- ❖ Introduction of the equipment that utilize alternative energy sources which can reduce GHG emissions such as natural gas, renewable energy, biogas etc. instead of fossil fuel such as oil and coal etc.,
- ❖ Clean Development Mechanism (CDM) projects involving clusters level intervention by a change in the process and technologies for the cluster as a whole duly supported by technical consultancy will be eligible for coverage.

¹ Guidance in these parameters would be provided by the technical consultant for the project.

² Guidance in these parameters would be provided by the technical consultants for the project.

FINANCIAL PARAMETERS

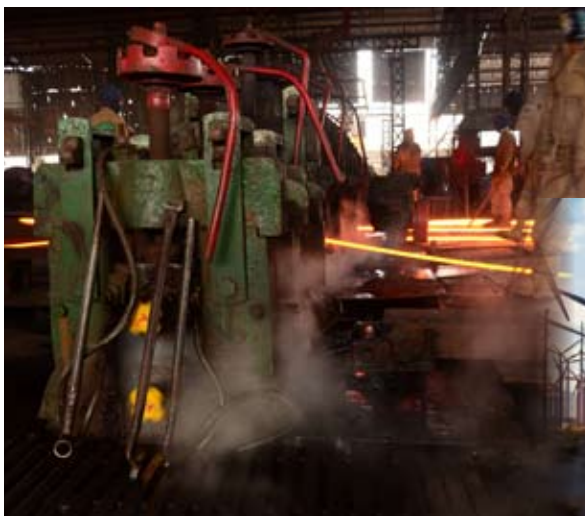
The financial parameters for appraising the projects are:

PARAMETER	NORMS
Minimum Assistance	Rs. 10 lakh per project
Minimum promoters contribution	25% for existing units (relaxation as per SIDBI norms)
	33% for new units (relaxation as per SIDBI norms)
Debt Equity Ratio	Maximum 2:1
Interest Rate	Presently 75 basis points below applicable lending rate as per credit rating
Up front fee	Non-refundable upfront fee of up to 2% of sanctioned loan plus applicable service tax
Security	First charge over assets acquired under the scheme; first/second charge over existing assets and collateral security as may be deemed necessary
Asset coverage	Minimum Asset Coverage should be 1.4 : 1 for new units and 1.3 : 1 for existing units
Repayment period	Need based. Normally, the repayment period does not extend beyond 7 years. However, longer repayment period of more than 7 years can be considered under the Line

The list of equipment eligible for financing is being continuously revised and updated by the Consultants – PricewaterhouseCoopers Pvt. Ltd. (PwC) appointed by JICA. The List shall be used for screening the projects (proposals) for deciding their eligibility for coverage under the scheme as the primary assessment criteria. Please contact the nearest SIDBI Branch Office or refer to SIDBI web site (www.sidbi.in) or JICA Project website (www.jica.org.in) for the updated List.

Eligibility Criteria for Units (Direct Assistance)

- ❖ New / existing MSME units, as per the definition of the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 (www.msme.gov.in, www.laghu-udyog.gov.in).
- ❖ Existing units should have satisfactory track record of past performance and sound financial position.
- ❖ Units should have minimum investment grade rating of SIDBI.
- ❖ Sectors such as the arms industry, narcotics industry or any unlawful businesses are not eligible. Similarly, such projects which may result in larger negative social and environmental impact are also not eligible under this scheme.



Further information on the Financing Scheme and the Energy Saving Equipment List is available on (www.sidbi.in; or <http://www.jica.org.in>) or at your nearest SIDBI Branch Office.