

Stake in SMEs: SIDBI sets up Rs 100-cr fund

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The Small Industries Development Bank of India (SIDBI) wants to put equity money in its customers' business. And, with a loan from the Asian Development Bank, it is also arming itself with resources to give foreign currency loans to its customers, SIDBI's Chairman and Managing Director, Mr R.M. Malla, told *Business Line*.

The development bank has set up a Rs 100-crore fund out of which it will pick up shares in small industries. "SIDBI is very keen on this," Mr Rakesh Rewari, Deputy Managing Director, SIDBI, said. The decision towards this was taken three months ago. The fund is expected to be operationalised by March, Mr Rewari said.

This, however, is not the first time that SIDBI is getting into equity participation. For a number of years now, it has been running a venture capital subsidiary, SIDBI Ventures. The first fund of SIDBI Ventures was of Rs 100 crore and was meant exclusively for IT and ITES units. Of the second fund of Rs 500 crore, half has been committed.

Asked why SIDBI was setting up a separate equity fund, when about Rs 250 crore of the existing fund was waiting to be consumed, Mr Malla said that SIDBI wanted a fund under itself, as opposed to the one managed by a subsidiary.

Asked if exiting was not difficult in the absence of listing, as typically small scale units do not list, Mr Malla said that exit routes are built into the contracts and are usually through the promoter or a strategic partner buying out the venture capitalist.

EXCHANGE FOR SMES

In this context, Mr Malla said that SIDBI was talking to the National Stock Exchange to set up a separate stock exchange, exclusively for SMEs. An SME exchange will give a great fillip to listing of small units and consequently fetch SMEs a lot more of equity and venture funding, he said.

Mr Malla said in today's scenario of appreciating rupee, many small-scale units are interested in taking foreign currency loans. SIDBI is raising \$300 million from ADB, at fine rates of 60 to 75 basis points over LIBOR, to secure foreign currency resources, he said.