

MSME

ENERGY EFFICIENCY FINANCE TRAINING

WORKSHOPS FOR BANKERS



SUMMARY REPORT

Exchange Partner

3SE
INVESTORS' PROTECTION FUND

Summary Report

MSME

Energy Efficiency

Finance Workshops

for Bankers

Conducted across 50 Centres

March 2013 - November 2013

Submitted By

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Abbreviations

SBI	State Bank of India
BEE	Bureau of Energy Efficiency
SIDBI	Small Industries Development Bank of India
MSMEs	Micro, Small and Medium Enterprises
D & B	Dun and Bradstreet
EE	Energy Efficiency
CGTMSE	Credit Guarantee Fund Trust for Micro and Small Enterprises
CSR	Corporate Social Responsibility
BSE IPF	BSE Investor Protection Fund
CLCSS	Credit Linked Capital Subsidy Scheme
JICA	Japan International Cooperation Agency
NMCP	National Manufacturing Competitiveness Program
NPA	Non Performing Assets
R & D	Research and Development
GIZ	Deutsche Gesellschaft für
WB	World Bank
KfW	Kreditanstalt für Wiederaufbau
BDS	Business Development Services
TC	Technical Cooperation
DFID	Department for International Development

Government of India implements the Micro, Small and Medium Enterprise Financing and Development Project in cooperation with WB, DFID, KfW and GIZ. Implementing Agency is the Small Industries Development Bank of India (SIDBI), as Project Executing Agency. The overall objective of the multi-donor project is “increased turnover and employment in Micro, Small and Medium enterprises in India”. Technical Cooperation (TC) implemented by GIZ under the Project covered the period from 01/04/2006 to 30/06/2010 (1st Phase).

The overall objective of GIZ's Technical Cooperation under the Project is to provide MSMEs better access to qualitatively appropriate financial and non-financial enterprise oriented services. GIZ implements two TC components under the Project. The first TC component, Business Development Services (BDS), promotes development of strategies and implementation of market based generic, embedded and public business development services (BDS) to value chain/clusters MSMEs in selected Project regions.

The financial sector component of the Technical Assistance of GIZ offers training and advisory services to participating banks/institutions/MFIs aimed at increasing credit and other financial services to regional clusters/value chains of MSMEs.

GIZ has initiated “MSME Umbrella Programme”, which has started in July 2010 and will last for four years. The objective of the umbrella programme will be “MSMEs will benefit from an improved investment climate and services environment”

Being energy efficient is critical for MSMEs to enhance their competitiveness in the market and it also impacts their profitability in the long run. Energy conservation

addresses issues related to competitiveness, energy security, environment and supply related issues in one go. This is also important to MSMEs because of prevailing high costs of energy and supply related concerns. This sector faces barriers like non-availability of skilled labour, lack of awareness, poor adaptability to changing technology etc.

Given this background, MSMEs have a lot of potential for energy savings and need to be made aware of the same.

The objectives of this initiative were:

- Creation of a sustainable model for training bankers on various government schemes, understanding of credit lines of the multilateral agencies towards environment and energy efficient projects, appraising and monitoring of projects etc.
- Development of training curriculum and content that has a longer shelf life and that is usable for replicating the training elsewhere in the future.
- Documentation of feedback from bankers across different clusters. This was intended as a reference for banks, policy makers and MSME stakeholders in the future.

Dun & Bradstreet Information Services (India) Pvt. Ltd. (D&B) was awarded the contract for executing this initiative.

Methodology

The training curriculum was developed by D&B after the following:

- a. Survey of the existing literature and training content.
- b. Consultation with various stakeholders apart from SIDBI and GIZ. These included the following:
 - Representatives from banks like State Bank of India, Bank of India, Bank of Baroda etc.
 - Representatives from the Bureau of Energy Efficiency (BEE)
- c. Conducting a half-day program and a focussed group discussion (FGD) on the content with the bankers as well as select BEE, GIZ and SIDBI officials.

Based on the expectations from the different stakeholders and the feedback received at the FGD, a curriculum supported by detailed reading material was developed. The material included basics like why energy efficiency financing is required, the scope of energy efficiency in different clusters using different technologies, interpreting an energy audit report, the different financing available for energy efficient projects, etc.

Scope of training:

The trainings were of a day each, backed by in-depth material. Some of the topics covered are given below:

Topic
<ul style="list-style-type: none">● Energy Efficiency Finance and Role of Bankers● International best practices in Energy Efficiency Financing● Energy Efficiency Finance in India
<ul style="list-style-type: none">● Energy Efficiency Financing Instruments● Bank products for Energy Efficiency Financing● Government Schemes/Support for Energy Efficiency Financing
<ul style="list-style-type: none">● Energy Audit Report● Viability Analysis for Energy Efficiency Proposals (case studies)<ul style="list-style-type: none">■ Management Evaluation■ Technical Evaluation■ Financial Evaluation■ Returns Analysis■ Decision making based on project appraisal
<ul style="list-style-type: none">● Contd.... Viability Analysis for Energy Efficiency Proposals (case studies)● Checklist for Evaluation of EE projects

Topic
<ul style="list-style-type: none">● Risk analysis and risk management of EE projects● Measurement and Monitoring tools for impact assessment● Credit Rating for Energy Efficiency Projects : Green Rating
<ul style="list-style-type: none">● Group Exercise : Brainstorming and presentation by participants● Feedback and Conclusion

Feedback

Feedback was collected on the issues like:

1. Have you assessed/evaluated any loan proposal for energy efficiency financing for MSME? If Yes, what was the nature of the loan proposal?
2. What are the issues/challenges faced by you while financing Energy Efficiency Loan Proposals?
3. Do you think that the Energy Efficiency Financing is an attractive business proposition for the bank?
4. What are the specific issues related to Energy Efficiency Financing in the Cluster in which your branch is located?
5. Mention top 3 requirements/expectations from various stakeholders in the Energy Efficiency Financing.

6. Feedback on the conduct of the Workshop

Please check (☐) the box that best represents your opinion regarding the following questions:

a	Was the workshop relevant and helped in acquiring knowledge/ information about loan Schemes for Energy Efficiency projects?	Needs Improvement Very Satisfied Ratings 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
b	Do you think your knowledge about Energy Efficiency and its importance has improved after attending the workshop?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c	Sufficient time was spent in useful discussions, and question and answers?	Needs Improvement Very Satisfied Ratings 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
d	The extent to which workshop objectives have been achieved?	Needs Improvement Very Satisfied Ratings 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>
e	Overall organisation of the workshop including facilities, duration, contents, Venue, food and other arrangements.	Needs Improvement Very Satisfied Ratings 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>

This report provides experiences, suggestions, opinions and expectations of bankers across different clusters on energy efficiency financing. The report also highlights cluster specific concerns of bankers, along with some suggestions, which if initiated, will help bankers to do energy efficiency finance effectively, which in turn will help the MSMEs to save energy which is the need of the hour for the Indian economy.

Feedback

At the end of the workshop, a brainstorming and feedback session was conducted for the participant bankers where the responses as well as innovative ideas/suggestions were gathered from the participants on the following five questions:

- How do you see Energy Efficiency financing as a new revenue source for banks?
- What are the requirements for you to push EE Financing in MSME cluster related to your operations?
- What support you need from different stakeholders?
- What are the Opportunities and challenges in EE financing you are facing?
- What can be offered to MSMEs for EE financing?

Partners

Apart from SIDBI, GIZ., SBI, BEE and BSE, D&B got the following organizations to partner this project through paid participation in a few workshops. Below is the list of partners who funded this project.

Partners	Number of Participants
Central Bank Of India	14
Bank of Baroda	13
Punjab National Bank	13
Indian Overseas Bank	13
State Bank of Patiala	12
Canara Bank	10
Bank Of India	9
Allahabad Bank	9
Other Banks	78
Total	171

In all there were 50 (fifty) workshops conducted between March 2013 and November 2013. The workshops were designed and executed in consultation with SIDBI, GIZ, State Bank of India and the Bureau of Energy Efficiency. The workshops were conducted across the country in different clusters. The participants included bankers across different banks.

Participant Profile:

The details of the participants are given below:

Banks	No. of Participants
SBI and its associate	97
SIDBI	20
Other Banks	1986
Total	2103

Centre wise Coverage:

The following centres were covered during the Energy Efficiency Financing training program.

Sr. NO	Centre	No. of Participants	Clusters
1	Faridabad	24	Light Engineering
2	Gurgoan	38	Auto components
3	Ahmedabad	42	Dyes and Chemicals, Textiles
4	Jodhpur	33	Lime Kilns
5	Aurangabad	40	Auto components
6	Surat	55	Textiles
7	Vapi	31	Chemicals
8	Bhubaneswar	45	Brassware
9	Ludhiana	76	Light Engineering
10	Mandigobindgarh	37	Steel Re-rolling Mills
11	Bangalore	28	Machine Tools
12	Ganjam	20	Rice Mills
13	Belgaun	51	Foundry
14	Jalandhar	56	Foundry

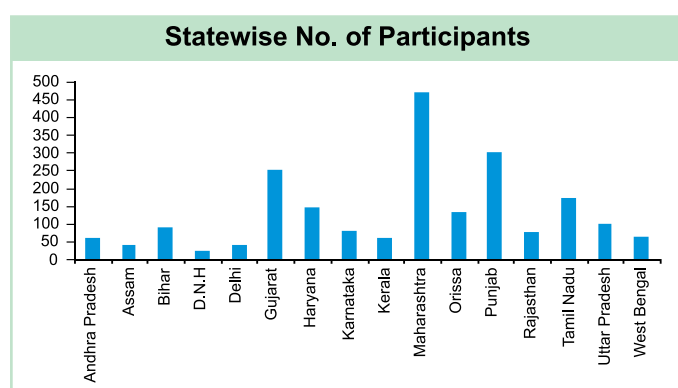


Mr. Rakesh Bhan, Chief manager & Technical Officer, Consultancy Services Cell, State Bank of India

15	Batala	40	Foundry
16	Jamnagar	40	Brassware
17	Jagadhari	45	Brassware
18	Karnal	53	Rice Mills
19	Varanasi	39	Brick Klins
20	Vellore	48	Rice Mills
22	Chennai	44	Glassware
21	Alwar	44	Oil Mills
23	Rajkot	48	Oil Mills
24	Pune	70	Auto components
25	Howrah	63	Galvanizing & Wire Drawings
26	Jorhat	41	Tea
27	Tirupur	35	Textiles
28	Coimbatore	46	Foundry
29	Warangal	61	Rice Mills
30	Kochi	58	Sea Food Processing
31	Mumbai	36	Electronic Goods and Ready Made Garments
32	Muzzaffarpur	41	Food Processing
33	Rourkela	42	Light Engineering
34	Patna	47	Brassware
35	Puri	27	Rice Mills
36	Delhi	41	Auto Components
37	Ghaziabad	28	Light Engineering
38	Nasik	50	Light Engineering
39	Ankleshwar	35	Chemicals
40	Nagpur	51	Powerloom
41	Gondia	33	Rice Mills
42	Silvassa	22	Rice Mills
43	Chandigarh	38	Foundry
46	Panipat	38	Powerloom
44	Kolhapur	31	Diesel Engine
45	Navi Mumbai	38	Plastic Products
47	Noida	33	Light Engineering
48	Vasai	42	Pharmaceuticals – Bulk Drugs
49	Pimpri	40	Auto components
50	Sangli	39	Powerloom
Number of Participants		2103	

State - Wise Coverage

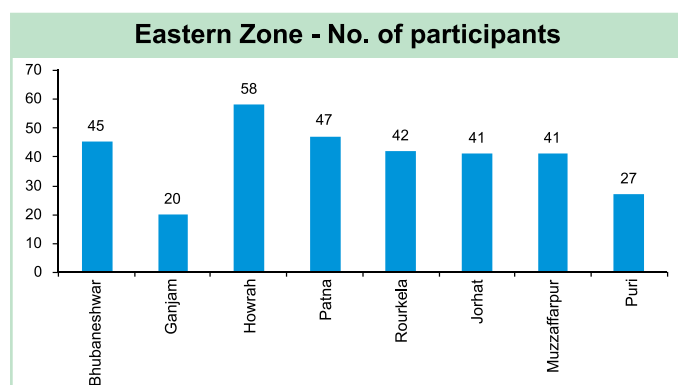
The Project was executed across 16 states of India. The representation across the states is as under:



The representation of participants across the four regions - east, west, north and south – are as follows:

Eastern Zone:

In the eastern zone, states covered were Assam, Bihar, West Bengal and Orissa. The participant profile in the eastern region was as follows:



There was good response from participants at all the

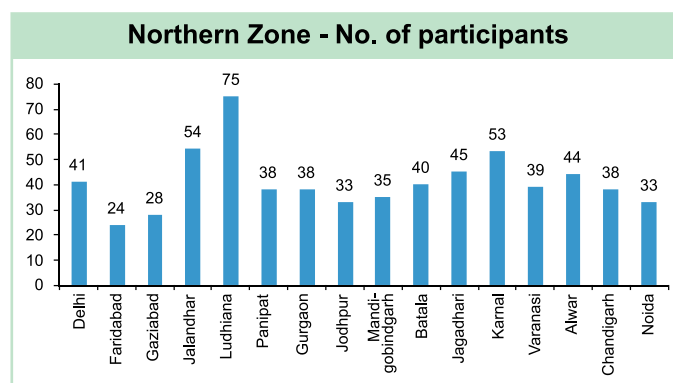
centres and the average number of participants per centre was 40. Bankers particularly in Muzaffarpur, Patna, Howrah and Rourkela expressed their satisfaction and mentioned that more such programs should be conducted in smaller cities in these states.

Northern Zone



Mr. Kultar S. Verma, Senior technical Expert, Deutsche Gesellschaft Fur International Zusammenarbeit

The states covered in this zone were Uttar Pradesh, Punjab, Haryana, Rajasthan, and Delhi (NCR) and Chattisgarh. The number of participants were as follows:

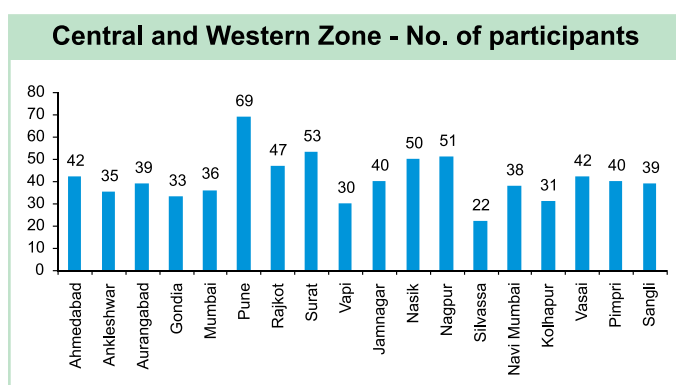


Average number of participants in this zone was 41 with city of Ludhiana, Jalandhar and Karnal attracting

maximum number of participants.

Central and Western Zone

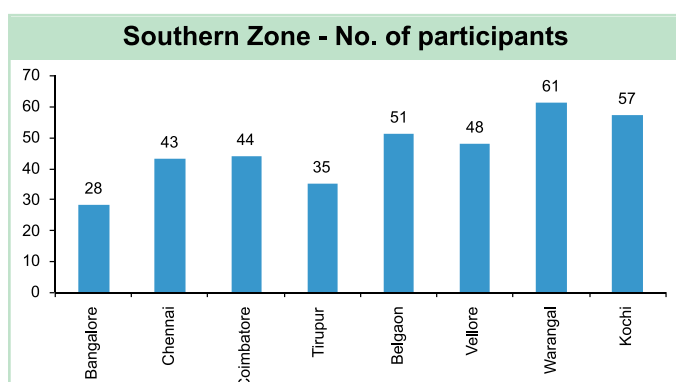
In the Central and Western zone, the states of Gujarat, Maharashtra and Dadra Nagar Haveli (UT) were covered. The number of participants was as follows:



Average number of the participants across cities was 41, with Pune, Surat, Nagpur and Nasik showing maximum participation.

Southern Zone

States of Andhra Pradesh, Kerala, Karnataka and Tamil Nadu were covered in this zone. Warangal and Kochi were number one and two in terms of the number of participants under this initiative. The average number of participants per center was 46. The no. of participants city wise is as follows:

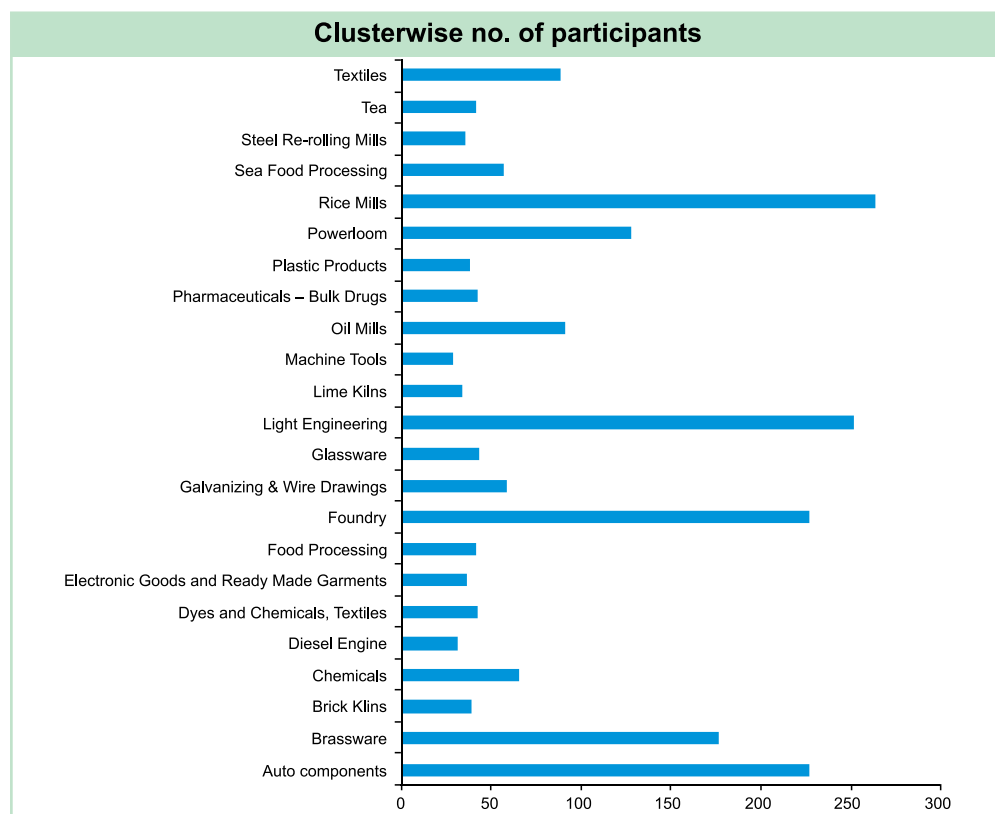


Cluster - Wise Coverage

The Energy Efficiency Financing program for Bankers covered different clusters across the country. The coverage across clusters was as follows:

Clusters	Cities
Auto components	Aurangabad, Delhi, Gurgaon Pune and Pimpri
Brassware	Bhubaneshwar, Jagadhari, Jamnagar and Patna
Brick Kilns	Varanasi
Chemicals	Ankleshwar and Vapi
Diesel Engine	Kolhapur
Dyes and Chemicals, Textiles	Ahmedabad
Electronic Goods and Ready Made Garments	Mumbai
Food Products	Muzzaffarpur
Foundry	Batala, Belgaum, Chandigarh, Coimbatore and Jalandhar
Galvanizing & Wire Drawings	Howrah
Glassware	Chennai
Light Engineering	Faridabad, Gaziabad, Ludhiana, Nasik, Noida and Rourkela
Lime Kilns	Jodhpur
Machine Tools	Bangalore
Oil Mills	Alwar and Rajkot
Pharmaceuticals – Bulk Drugs	Vasai
Plastic Products	Navi Mumbai
Powerloom	Nagpur, Panipat and Sangli
Rice Mills	Ganjam, Gondia, Karnal, Puri, Silvassa, Vellore and Warangal
Sea Food Processing	Kochi
Steel Re-rolling Mills	Mandigobindgarh
Tea	Jorhat
Textiles	Surat and Tirupur

Cluster wise participant details were as follows:



The Rice Mills, Foundry, Light Engineering and Auto Components got the highest coverage in terms of number of participants. Other clusters like Metals, textile, Chemicals, Brassware etc. also had large number of participants.

Through an extensive feedback mechanism followed for this initiative, bankers who attended the workshops brought forward their experiences and expectations from the different stakeholders including Government, SIDBI, banks and financial institutions. They also suggested some action points to improve the energy efficiency financing in the MSME sector across the country.

The participants were encouraged to share their expectations from various stakeholders namely Government, Banks, Development Agencies, MSMEs etc.

Bankers expected help/support from various stakeholders namely,

- Government / Ministry of MSME
- Top management of Banks
- Energy auditors / consultants / BEE
- MSMEs

Support Needed from Government / Ministry of MSME

- Bankers felt that a greater push for renewable energy, with fiscal benefits and some mandatory requirements to shift towards renewable energy will help promoting energy conservation measures and thus energy efficiency financing.
- Some bankers shared that given the current scenario, renewable energy sources should be promoted more. For the purpose of this, subsidy and assistance for investment in renewable energy equipments like Solar Power Plant, Bio-gas plant, Bio-mass based equipments, etc. should be provided to the entrepreneurs. The same can

be covered under CLCSS like schemes. However, bankers shared that specific scheme on the line of CLCSS is very much required especially for EE Financing.

- Subsidies to be available easily, with less documentation and hassle free assistance will help MSMEs think about their units' growth
- Goods and Services Tax as well as Direct Tax Code if implemented soon will help MSMEs maintain their financials properly.
- Bankers felt that more publicity through newspapers, media, television, roadshows, newsletters, workshops, Banker-MSME meets etc. will help promote Energy Efficiency Financing and Technology up-gradation for Energy Conservation.
- Interest subsidy for EE financing will be useful to MSMEs availing finance and will help in reducing resistance by MSMEs for going for technology up-gradation due to high cost proportions.
- In many clusters, the participants shared that tax benefits i.e. lower taxes for Energy efficient units will encourage other units also to apply important measures for energy savings
- Bankers asked for the support from SIDBI in getting refinancing for EE projects, especially to the Regional Rural banks and Co-operative banks which require handholding in terms of line of credits and re-finance.
- Special awards/ recognition can be given to

Energy Efficient MSME units.

- In some clusters, bankers shared that banks excelling in EE finance should be encouraged/motivated through awards or benefits like carbon credits.

Support needed from Top Management of Banks

- In most of the clusters, bankers shared that top management of the banks if encourage collateral free funding in the form of CGTMSE schemes, MSME units will be more willing to get Finance for Energy Efficiency (EE) Investments
- Bankers opined that there is a need to change approach to fund EE project as there is huge potential in the clusters. Especially, many bankers hinted at changing the mindset of bankers wherein more emphasis can be given on collateral free funding like CGTMSE schemes. Some bankers also suggested that collateral free lending scheme especially for Energy Efficiency can be created which will help MSMEs and bankers promote the concept.
- Specialized lending schemes can be initiated across all locations of banks
- Many participants felt that similar to the Priority Lending Targets, if the targets in achieving EE financing can be given to bank branches, the task of energy conservation can be taken up more seriously in the country.
- Special Helpdesk in MSME branches for EE financing will help not only to the MSME customers of the banks but also to the employees at the branch level in understanding complex issues like Energy Audit Report, Techno-Economic Viability of Energy Efficiency proposals and will help in faster processing of proposals.

- Some bankers felt that in the current economic scenario EE financing to be a thrust area for top management of banks
- A joint meeting/workshop of bankers and MSME units can be conducted to discuss important aspects of EE financing.
- Bankers suggested that periodical meet of bankers and MSMEs can be arranged wherein successful stories of energy efficient technology can be shared with MSMEs. Moreover, unsuccessful stories also can be shared with MSME units to save them from incurring costs in failure prone technology.
- Customer friendly EE financing scheme in line with SBI's Project Uptech and/or similar to JICA-SIDBI EE financing scheme will help to bankers as well as MSMEs.
- Participants also suggested that Energy auditors should be available at small centers and the government should fund energy audit costs. Some participants suggested that banks should recruit some Energy Auditors to avoid the hurdles in Technical Analysis and preparation of Energy Audit Reports.

Support needed from Energy Auditors / Consultants / BEE/ Credit Rating Agencies

- Energy Audit Reports can include more information specifically helpful to banks in project appraisal, especially related to financing costs, NPV, IRR, Indicative Ratios etc.
- Bankers felt that BEE should prescribe maximum

audit fees / charges ranges to be charged by the energy auditors to make the audit reports affordable to MSMEs. Alternatively, BEE can give subsidy if energy audit is conducted for MSMEs.

- Participants also asked for support from BEE to provide a list of eligible equipments, list of energy saving technology and list of energy auditors – all of these cluster-wise and region-wise for easy accessibility of bankers and MSMEs
- Many participants were very much grateful to BEE for providing cluster specific studies and Detailed Project Reports on the website of SAMEEKSHA. They requested that further clusters can be added to the studies to cover untapped markets and untapped clusters with other energy intensive industries.
- Participants were more concerned about the quality of the Energy Audit Reports. Some of the participants also questioned if there is any need of Energy Audit Report to be prepared, as the bankers are more concerned about the financial viability and less concerned about technical viability. They also shared that the standard Detailed Project Reports available on SAMEEKSHA website are good enough to start the Energy Efficiency Financing. And as the time passes, as the bankers and MSMEs are more aware about the EE financing, the requirement for Energy Audit Report can be made mandatory. However, at initial level, the requirement for Energy Audit Report can be relaxed.
- Participants also shared the requirement of creating awareness about various innovations happening in the world, country and region.

This knowledge of innovations will give a good perspective about requirement of energy savings. Also, this will help in building confidence about viability of energy efficiency projects.

- Green rating by Credit Rating Agencies can be promoted to make the process of evaluation of EE proposals easier.

Support needed from MSME units

- Participants felt that there is a great need to educate MSMEs on Energy Saving potential of their business units, Cost optimization possible, benefits of Energy Saving and how this will impact on their Revenue and Profitability.
- Bankers also opined that MSME units should focus on Cost-optimization and Revenue Maximization on a long term rather than short term impact on finance due to initial investment only. Bankers pointed out that MSME unit are not very serious especially in EE measures. There is a need to make EE as a priority by MSME units.
- More emphasis on long term benefits with technology up-gradation rather than short term costs. Spending on technology up-gradation to be treated as investment rather than costs.

The training program was conducted across various clusters in the country. However, considering that coverage across clusters was same, except cluster specific details, participants shared some common points of view. The common learning and recommendations across clusters are as follows:

- Almost all bankers appreciated EE financing as a new source of revenue especially because, it becomes easier to convince the existing customers to initiate EE projects which may help them increase profitability and optimize costs.
- Bank employees feel that a joint meeting/workshop of bankers and MSME units can be conducted to discuss important aspects of EE financing which will help in enhancing the prospects of EE financing.
- Bank employees feel that EE financing is a very important source of financing which may help them in generating revenue. Across all clusters, participants shared the same feeling that the payback period being short and cash-flows being generated due to energy savings being high, the chances of repayment of interest and loans with less NPA was an attractive factor in favour of EE financing for bankers in this cluster.
- Publicity support from government is required. Along with other schemes of MSMEs, subsidies/assistance and other benefits for EE also needs to be pushed through publicity. This can be done by promoting success stories of MSMEs who have implemented energy efficiency measures and have been successful. Such information should be easily available on the websites of SIDBI, BEE, MoMSME and different Banks.
- Bankers felt that more publicity through newspapers, media, television, roadshows, newsletters, workshops, Banker-MSME meets etc. will help promote Energy Efficiency Financing and Technology up-gradation for Energy Conservation Measures.
- Many bankers also appreciated that EE financing especially to MSME businesses will reduce the load for Priority Sector Lending targets.
- Some bank employees were of the opinion that interest subsidy will help in promoting energy efficiency financing as it will lower the cost of borrowing. Since MSME are always focused on enhancing sales and are particular about energy saving, subsidy can be used to draw their attention towards energy efficiency financing.

Bankers across workshops shared their perspective on areas of improvement which can be helpful in Energy Efficiency Financing to MSMEs and thus help make MSME businesses more productive and contribute to the overall economic growth of the country.

During the training program, we asked the participants on their views on energy efficiency financing in general and the cluster specific requirement in particular. In order to gauge their views on energy efficiency financing, we asked them the following questions on energy efficiency financing

What are your views on EE financing as a new revenue source for banks?

What are the requirements for you to push EE Financing in MSME cluster related to your operations?

What support you need from different stakeholders?

What are the Opportunities and challenges in EE financing you are facing?

A summary of responses from bankers are given as follows:

Auto Component Clusters (Aurangabad, Gurgaon, Pimpri, Pune and Delhi)



(1) Energy Efficiency as a source of financing for bankers

- Most of the participants found EE financing as a very important source to get involved in the indirect way of supporting economy through fulfilling social responsibility by financing for energy savings and energy conservation.
- Bankers in these clusters feel that Energy Efficiency Financing is a kind of 'old wine in the new bottle' type phenomenon where bankers have already been financing energy saving equipments and projects under the normal 'project finance' head. However, specific schemes for EE financing will help to attract new customers and thus will help increase in the bank revenue.
- Some participants found this useful as a carbon credit benefit generator.

(2) How energy efficiency financing can be pushed in the clusters?

- Bankers felt the need to create awareness among MSMEs on cost and benefits of EE projects, new technology available in the market, new equipments and their uses as well as the parameters on the basis of which MSME loans will get evaluated and processed.
- Bank employees feel that a joint meeting/workshop of bankers and MSME units can be conducted to discuss important aspects of EE financing which will help in enhancing the prospect of EE financing.
- Additionally participants were of the view that for those bank branches which service MSME funding, there should be a separate helpdesk to encourage and facilitate EE financing.
- According to the participants, it will be easier to promote the loan products under the channel financing route in this cluster. Therefore, it is imperative to identify SMEs ready for EE financing by looking at corporate linked with MSMEs.

(3) Support required from various stakeholders to push energy efficiency financing

- Some bank employees were of the opinion that interest subsidy will help in promoting energy efficiency financing as it will lower the cost of borrowing. Since MSMEs are always focused on enhancing sales and are particular about energy saving, subsidy can be used to draw their attention towards energy efficiency financing.

- In the opinion of bankers, tax benefits should be given to energy efficient units to make financing more attractive.
- If energy efficiency financing should be made a thrust area for top management of banks, this will go a long way in promotion of energy efficiency financing.
- Some of the bankers shared their view that similar to targets in lending like priority sector etc., energy efficiency financing mandatory targets will help in encouraging EE financing among MSME units.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

- **Opportunities**
 - EE financing will help in achieving social responsibility by banks and thus improving reputation and goodwill of the bank.
 - May help in increasing customer base
- **Concerns**
 - Many bankers shared their apprehension to believe in the Energy Audit Reports prepared by Energy Auditors as bankers are less equipped with technical knowledge about energy savings and different technologies used in different clusters.

Brassware Clusters (Bhubaneshwar, Jagadhari, Jamnagar and Patna)



(1) Energy Efficiency as a source of financing for bankers

- Bankers felt that one of the major opportunities for Energy Saving in the country is that MSMEs can avail different subsidies under NMCP program of Ministry of MSME, initiate EE projects and can improve profitability of the MSME business, which in turn helps banks in timely repayment of loans.
- Some bankers found this an initiative which will help banks to contribute to the economy of the country by actively involved in social responsibility as well as help the society.
- Most of the bankers appreciated EE financing as a new source of revenue.
- Many bankers also appreciated that EE financing can help them in growing their MSME loan portfolio and achieving priority sector lending targets.

(2) How energy efficiency financing can be pushed in the cluster?

- Bankers in the cluster shared that Energy Efficiency Financing being a new area of financing, bankers felt that they need special on-the-job training on appraisal of EE projects.
- While some bankers shared that EE Financing is not a new area, as it is quite similar to equipment financing and project financing that they have been doing since long. This increases confidence of bankers in giving EE loans. Bankers should be made more aware about the fact, which will help removing apprehensions of the bankers about EE Financing.
- MSMEs need to be made aware about EE projects, technical aspects of EE, project appraisal process and other relevant aspects of EE financing.

(3) Support required from various stakeholders to push energy efficiency financing

- At initial level, to create awareness and motivation among MSMEs and bankers, if the full Energy Audit Fees reimbursement is available from Government, it will help pushing EE Financing across clusters.
- Bankers asked for the support from SIDBI in getting refinancing for EE projects. Few bankers from Co-operative bank suggested that SIDBI should give refinancing to co-operative banks as well.

(4) Opportunities and challenges in Energy Efficiency financing

- **Opportunities**

- Bankers found EE Financing as an opportunity due to huge untapped potential, lower payback period of energy efficiency projects and possibility of high retention of existing customers

- **Concerns**

- Priority of MSME units may be different. MSME units consider marketing, product development and increase in revenue as higher priority than Energy Savings and Cost Optimization.
- Cost of energy audit report can act as a deterrent in encouraging small ticket size energy efficiency financing.

Brick Kilns Cluster (Varanasi)



(1) Energy Efficiency as a source of financing for bankers

- Similar to other clusters, all the bankers in this cluster also opined that EE financing is a very

important source of financing which may help them in generating revenue. In this cluster too, participants shared the same feeling that the payback period being short and cash-flows being generated due to energy savings being high, the chances of repayment of interest and loans with less NPA was an attractive factor in favour of EE financing for bankers in this cluster.

(2) How energy efficiency financing can be pushed in the cluster?

- In this cluster, most of the participants emphasized on the infrastructure development by the Government to support MSMEs. They were of the opinion that if the proper infrastructure is available, the MSMEs will be able to operate their businesses better and without enough power, even if entrepreneurs want to switch to upgraded technology, it becomes difficult as most of the new technologies are based on either electricity or gas. In this region, bankers shared that due to constant power cut it becomes difficult to suggest any new technology to the entrepreneurs.
- Participants shared that the State Governments should implement laws to ensure that EE projects are done by the companies. To implement this, state-wise, cluster-wise, industry-wise and unit-wise targets of energy savings can be given. Also, full support of state Government is required for implementation of the same.
- Some bankers shared that given the current scenario, renewable energy sources should be promoted more. For the purpose of this, subsidy and assistance for investment in renewable energy equipments like Solar Power Plant, Bio-gas

plant, Bio-mass based equipments, etc. should be provided to the entrepreneurs. The same can be covered under CLCSS like schemes.

(3) Support required from various stakeholders to push energy efficiency financing

- Bankers shared that specific scheme in the line of CLCSS is very much required especially for EE Financing.
- Interest Subsidy and Tax benefits can be given to promote EE Investments in the region.
- BEE and SIDBI websites should cover the complete process related to EE financing.
- Energy auditors should be empanelled with banks so that the EE project is implemented fast and smoothly.

(4) Opportunities and challenges in Energy Efficiency financing

● Opportunities

- Most of the participants shared that there are more opportunities than challenges.

● Concerns

- Participants shared the major concerns as fear of implementation failure, lack of infrastructure and power availability in the State, lack of knowledge about renewable sources of energy, frequent changes in energy prices which can create difficulty in estimating project cost, dependency on energy auditor for technology up-gradation etc.

Diesel Engine Cluster (Kolhapur)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- Almost all bankers in the cluster appreciated EE financing as a new source of revenue especially because, it becomes easier to convince the existing customers to initiate EE projects which may help them increase profitability and optimize costs.
- EE financing to new customers will increase opportunities for bankers to offer other lending solutions as well.
- Some participants in the cluster were concerned about the fact that in the competitive scenario of banking business, unless the targets are given by any regulatory authority or the top management of the banks, the branch level banking may face some challenges in implementing energy efficiency funding.

(2) How energy efficiency financing can be pushed in the cluster?

- Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:
- According to the participants, it will be easier to promote the loan products under the channel financing route in this cluster. Therefore, it is imperative to identify SMEs ready for EE financing by looking at corporate linked with MSMEs.
- Some bankers shared that in the MSME financing branches, a specific cell for EE financing can be created to help MSMEs faster processing of their EE proposals.
- Participants shared that the field staff and the marketing executives of banks need to be trained on importance, advantages, and features of various banking products in detail including the energy efficiency financing products.
- Publicity support from government is required. Along with other schemes of MSMEs, subsidies/ assistance and other benefits for EE also needs to be pushed through advertisements. This can be done by Promoting success stories of MSMEs who have implemented energy efficiency measures and have been successful. Such information should be easily available on websites like SIDBI, BEE, MoMSME and different Banks.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Bankers in this cluster also felt the requirement

of Separate policy on guideline for EE financing along with the acceptable description as well as numerical range of ratios for the banks.

- Participants in the cluster felt that to support faster disbursal of loans, the documentation and processing of EE proposals can be made easier.
- Unanimously all the bankers felt that it is utmost priority to create awareness among all stakeholders.
- Bankers also shared that there is a need to promote energy efficiency financing on the lines of CGTMSE to generate interest among bankers as well as MSMEs for EE Financing.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

- **Opportunities**
 - As a new source of revenue, possibility of new customer base and retention of existing customer base, supportive in achieving social responsibility and becoming helpful to MSMEs and in turn to economy.
- **Concerns:**
 - It was found that enough awareness among bank staff at different levels is highly required to promote EE Financing
 - Lack of easy availability of details related to energy auditors

- In current scenario, when bank NPAs are increasing, the bankers were apprehensive in giving loans to MSMEs with a question “will the banks be forthcoming in funding such programs?”

Dyes and Chemicals, Petrochemicals, Dyes, Drugs and Pharmaceutical Cluster (Ahmedabad, Ankleshwar, Vapi and Vasai)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- Almost all bankers in the cluster appreciated EE financing as a new source of revenue especially because, it becomes easier to convince the existing customers to initiate EE projects which may help them increase profitability and optimize costs.
- EE financing to new customers will increase opportunities for bankers to offer other lending solutions as well.
- Some participants in the cluster were concerned about the fact that in the competitive scenario of banking business, unless the targets are given by any regulatory authority or the top management of the banks, the branch level banking may face some challenges in implementing energy efficiency funding.
- Most of the bankers agreed that financing energy efficiency project will be beneficial as new source of financing for them as EE financing will help banks in business expansion.
- Many bankers also appreciated that EE financing can help them in growing their MSME loan portfolio and achieving priority sector lending targets

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- According to many participants, the field staff and the marketing executives of banks need to be trained on importance, advantages, and features of various banking products in detail including the energy efficiency financing products
- It will be easier to promote the loan products under the channel financing route. Therefore, it is imperative to identify SMEs ready for EE financing by looking at corporate linked with MSMEs.
- Some bankers shared that in the MSME financing branches, a specific cell for EE financing can be created to help MSMEs faster processing of their EE proposals.
- Participants also felt a huge need to educate MSMEs on cost and benefits of EE projects

- By providing complete details of subsidies available to the MSMEs in the form of regular newsletter or emailer will help push EE financing
- The list of energy auditor within their locality should be made available to them so that they can share this with the customers.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Bankers in the cluster felt that tax holidays for business entities implementing energy efficiency projects will encourage EE financing to the entrepreneurs.
- Participants also shared that Government should provide benefits/ incentives for domestically sourced Energy Efficient equipment. This will encourage domestic equipment manufacturers to innovate new machines/equipments while this will also encourage entrepreneurs and industries buy domestic equipments.
- Joint Industry meet should be organized with participation from Government, bankers, suppliers and MSMEs

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

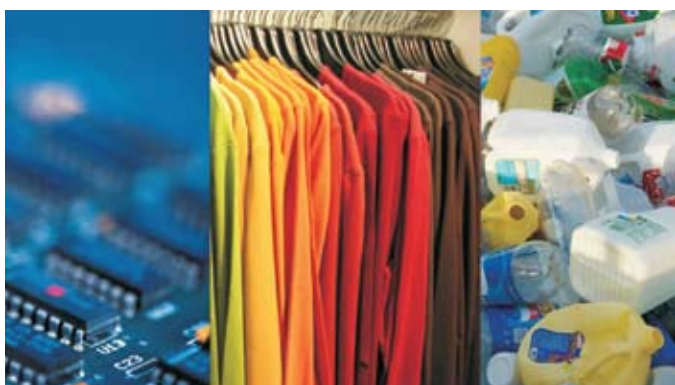
● **Opportunities**

- EE financing as new source of financing
- Most of the projects are having lower payback period, untapped and niche market, which indicates lot of opportunities
- Lower chances of NPA because of lower payback period and faster results in terms of cost-optimization

● **Concerns**

- MSME borrowers need to be more educated to avoid resistance to borrow funds for energy savings. It is important to consider energy savings as one of the priorities for the MSMEs, which currently most of the entrepreneurs are considering as an additional cost burden.
- More awareness about the tools and techniques for Cost benefit analysis of energy projects investments by the MSMEs is very important. Also awareness about the impact assessment is required to be given to the MSME units.
- Lack of technical expertise at MSMEs level.
- Some participants found the Cost of energy audit report as a hurdle for technical evaluation.
- Participants also found it difficult to find out experienced energy auditors.

Electronic Goods, Ready Made Garments and Plastic Goods Clusters (Mumbai and Navi Mumbai)



(1) Energy Efficiency as a new source of financing for bankers

- Bankers in this region found that Energy Efficiency Financing is a kind of 'old wine in the new bottle' type phenomenon where bankers have already been financing energy saving equipments and projects under the normal 'project finance' head. However, specific schemes for EE financing will help to attract new customers and thus will help increase in the bank revenue.

(2) How energy efficiency financing can be pushed in the cluster?

- In this cluster, bankers felt the need to create awareness among MSMEs on cost and benefits of EE projects, new technology available in the market, new equipments and their uses as well as the parameters on the basis of which MSME loans will get evaluated and processed.
- Participants also shared the requirement of

creating awareness about various innovations happening in the world, country and region. This knowledge of innovations will give a good perspective about requirement of energy savings. Also, this will help in building confidence about viability of energy efficiency projects.

(3) Support required from various stakeholders to push energy efficiency financing

- Participants in this region shared about the need for more R&D institutions and to share more information about innovations happening across the world.
- Participants also asked for support from BEE to provide a list of eligible equipments, list of energy saving technology and list of energy auditors – all of these cluster-wise and region-wise for easy accessibility of bankers and MSMEs
- Energy Audit Reports can include more information specific helpful to banks in project appraisal, especially related to financing costs, NPV, IRR, Indicative Ratios etc.
- Participants were more concerned about the quality of the Energy Audit Reports. Some of the participants also questioned if there is any need of Energy Audit Report to be prepared, as the bankers are more concerned about the financial viability and less concerned about technical viability. They also shared that the standard Detailed Project Reports available on SAMEEEKSHA website are good enough to start the Energy Efficiency Financing. And as the time passes, as the bankers and MSMEs are more aware about the EE financing, the Requirement

for Energy Audit Report can be made mandatory. However, at initial level, the requirement for Energy Audit Report can be relaxed.

- Customer friendly EE financing scheme in line with SBI's Project Uptech and/or similar to JICA-SIDBI EE financing scheme will help to bankers as well as MSMEs.
- Bankers felt that more publicity through newspapers, media, television, roadshows, newsletters, workshops, Banker-MSME meets etc. will help promote Energy Efficiency Financing and Technology up-gradation for Energy Conservation Measures.

(4) Opportunities and challenges in Energy Efficiency financing

● Opportunities

- Most of the participants shared that there are more opportunities than challenges such as untapped and niche market, increasing customer base etc.

● Concerns

- Bankers found major concerns as Lack of knowledge about innovations happening across the world, very few R&D institutions in the country, Fear of implementation failure, cost of energy audit, availability of genuine equipment suppliers / vendors etc.

Engineering Clusters (Rourkela, Nasik, Faridabad, Gaziabad, Ludhiana and Noida)



(1) Energy Efficiency as a source of financing for bankers

- Akin to the other clusters, all the bankers in this cluster also opined that EE financing is a very important source of financing which may help them in generating revenue. Among the Lower payback period, faster repayment, higher cash-flow and profitability of the MSMEs due to energy savings, bankers found the reduction in the load of priority sector lending as one of the major opportunity.

(2) How energy efficiency financing can be pushed in the cluster?

- Bankers felt a need of continuous education through seminars, meetings, newsletters and circulars. More awareness about EE projects, technical aspects of EE and more clarity on other project appraisal processes were found to be utmost important for success of EE Financing.

- Bankers felt that in the existing scenario of collateral based lending, bankers need to have a broad mindset and encourage EE financing through cash flow based lending.

(3) Support required from various stakeholders to push energy efficiency financing

- Bankers in this cluster felt that Goods and Services Tax as well as Direct Tax Code if implemented soon will help MSMEs maintain their financials properly.
- Bankers also asked for the support from SIDBI in getting refinancing for EE projects, especially to the Regional Rural banks and Co-operative banks which require handholding in terms of line of credits and re-finance.
- Bankers felt that more publicity through newspapers, media, television, roadshows, newsletters, workshops, Banker-MSME meets etc. will help promote Energy Efficiency Financing and Technology up-gradation for Energy Conservation Measures

(4) Opportunities and challenges in Energy Efficiency financing

- **Opportunities**
 - Huge untapped potential, lower payback period of energy efficiency projects, it may help in meeting the priority sector lending targets etc.

● Concerns

- Participants shared the major concerns as resistance by the MSMEs to consider energy savings as important impact on profitability, fear of implementation failure, lack of knowledge about evaluation and analysis of energy saving projects, lack of knowledge about renewable sources of energy, frequent changes in energy prices which can create difficulty in estimating project cost, dependency on energy auditor for technology up-gradation etc.
- Some bankers also shared the inability to understand technical aspects presented in the Energy Audit Report as a major concern.

Food Processing (Muzaffarpur) and Sea Food Processing Clusters (Kochi)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- EE financing to new customers will increase opportunities for bankers to offer other lending solutions as well.
- Energy efficient financing provides banks a scope for generating additional revenue from existing customers.
- Energy efficiency financing can be used for attracting new customers with a financing arrangement useful to them
- Bank employees feel that this scheme can help in reduction in load of priority sector lending targets

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Bankers felt a need of continuous education through seminars, meetings, newsletters and circulars.
- Some of the bankers shared their view that similar to targets in lending like priority sector etc., energy efficiency financing mandatory targets will help in encouraging EE financing among MSME units.
- Bankers felt that in the existing scenario of collateral based lending, bankers need to have a broad mindset and encourage EE financing through cash flow based lending.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Like interest subvention, tax subvention can be given
- Special awards/ recognition can be given to Energy Efficient MSME units.
- Special Helpdesk for MSME branches for EE financing
- EE financing to be a thrust area for top management of banks
- Targets in achieving EE financing can be given to branches.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities which can be summarized as follows:

- Will help in achieving social responsibility by banks and thus improving reputation and goodwill of the bank.
- May help in increasing customer base
- Untapped and niche market, especially in terms of increasing revenue and business opportunity for banks which can lead to a win-win situation wherein MSME units also will benefit in terms of cost optimization over long run.

Foundry Clusters (Belgaum, Coimbatore, Batala, Jalandhar, Chandigarh and Mandi Gobindgarh)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- Most of the bankers appreciated EE financing as a new source of revenue especially because, it becomes easier to convince the existing customers to initiate EE projects which may help them increase profitability and optimize costs. This will help bankers in early recovery of principal and interest.
- Many bankers also appreciated that EE financing especially to MSME businesses will reduce the load for Priority Sector Lending targets.
- Some participants also suggested that EE financing will help in attracting existing customers by providing new products. This will help not only in acquisition of new customers but also in retaining existing customers.

- Some bankers shared that they have been already financing equipments which may be useful in energy conservation/ energy savings. However, promoting such financing under specific schemes of Energy Efficiency Financing will create more acceptance among customers.

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Bank employees feel that a joint meeting/ workshop of bankers and MSME units can be conducted to discuss important aspects of EE financing which will help in enhancing the prospect of EE financing.
- Additionally participants were of the view that for those bank branches which service MSME funding, there should be a separate helpdesk to encourage and facilitate EE financing.
- Bankers felt a need of continuous education through seminars, meetings, newsletters and circulars.
- Bankers felt that in the existing scenario of collateral based lending, bankers need to have a broad mindset and encourage EE financing through cash flow based lending.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Some bank employees were of the opinion that interest subsidy will help in promoting energy efficiency financing as it will lower the cost of borrowing. Since MSME are always focused on enhancing sales and are particular about energy saving, subsidy can be used to draw their attention towards energy efficiency financing.
- In the opinion of bankers, tax benefits should be given to energy efficient units to make financing more attractive.
- Since this is a new scheme, participants were of the opinion that to make energy efficiency financing popular, there is need for more publicity through newspapers, media, roadshows etc.
- If energy efficiency financing is made a thrust area for top management of banks, this will go a long way in promotion of energy efficiency financing.
- Participants also felt that List of Energy Auditors in specific regions, if easily available will help bankers in getting the technical evaluation done easily.
- Additionally, bankers also felt that a maximum cap of audit fees/charges which can be charged by Energy Auditors can be prescribed by BEE.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

- **Opportunities**

- With the realistic idea of energy savings, there is a huge potential for funding for energy saving investments and thus provides huge opportunities to bank for another revenue source

- **Concerns:**

- Some bankers in the cluster shared that payback period and other financial information given in energy audit report cannot be considered as given in the energy audit report because it does not consider the financing cost and other operational expenses / revenues as well as other financial impact while calculating payback period. Therefore, banks have to conduct their own project appraisal separately.
- Participants also shared that cost of energy audit report can act as a deterrent in encouraging small ticket size energy efficiency financing.

Galvanizing & Wire Drawing Cluster (Howrah)



(1) Energy Efficiency as a source of financing for bankers

- All the bankers welcomed Energy Efficiency Financing as a new source of revenue for banks. They felt that it gives the realistic idea for energy savings, cost optimization, profitability enhancement for MSMEs and thus has a huge potential to be pitched as a funding requirement.

(2) How energy efficiency financing can be pushed in the cluster?

- Bankers opined that there is a need to change approach to fund EE project as there is huge potential in the cluster. Especially, many bankers hinted at changing the mindset of bankers wherein more emphasis can be given on collateral free funding like CGTMSE schemes. Some bankers also suggested that collateral free lending scheme especially for Energy Efficiency can be created which will help MSMEs and bankers promote the concept.

- There is a need to involve all stakeholders like energy auditors, industry associations, MSMEs and banks to make this project successful.
- More awareness about EE projects, technical aspects of EE and more clarity on other project appraisal processes.

(3) Support required from various stakeholders to push energy efficiency financing

- Bankers raised their voice unanimously that Government should provide special incentives to energy efficient units and also to those units who are in the process of becoming energy efficient units. More and more benefits as well as subsidies can be available for technology up-gradation. Also these subsidies and assistance should have hassle free, simplified processes and as far as possible on-line access of benefits to avoid visiting DIC offices quite often which may turn into longer processes.
- Participants also asked for support from BEE to provide a list of eligible equipments, list of energy saving technology and list of energy auditors – all of these cluster-wise and region-wise for easy accessibility of bankers and MSMEs
- Many participants were very much grateful to BEE for providing cluster specific studies and Detailed Project Reports on the website of SAMEEKSHA. They requested that further clusters can be added to the studies to cover untapped markets and untapped clusters with other energy intensive industries.

(4) Opportunities and challenges in Energy Efficiency financing

- **Opportunities**

- Participants in this cluster were happy to know about the huge potential in terms of requirement of large investment by different sectors and also MSME units. They appreciated their role as a financier in these large investment requirements.

- **Concerns**

- Bankers shared one of the major concerns as there is a resistance to change by MSMEs from traditional technology to the upgraded technology in this cluster.
- Moreover, bankers also opined that lack of availability of genuine equipment suppliers / vendors, cost of energy audit report etc. may become a hurdle in pushing the EE Financing.

Glassware Cluster (Chennai)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- Bankers in this cluster welcomed EE Financing as one of the new sources of financing which may help them generating new customer base and thus, may help in taking opportunity to tap the market where huge demand for investment is available.

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Bankers felt that as a priority, Sales People and the Field functions in a bank are required to be trained about the features of EE financing Scheme, its importance, its advantages, different products available and also to a certain extent to

guide the customers about what Energy Audit Report means.

- Participants shared that more branches for MSME financing can be created, with special emphasis on EE financing.
- It was found important to Educate MSMEs on cost and benefits of EE projects and easy access to details of subsidies available from Government was also found to be possible success factors of EE Financing in this cluster.
- Bankers requested BEE and MoMSME to help Identify SMEs ready for EE financing by looking at corporate linked with MSMEs.
- Participants also shared that State Governments should implement laws and regulations to ensure that EE projects are done by the companies. To achieve this sector-wise and unit-wise targets can be given for Energy Savings by the Government.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- In this cluster, bankers shared that it would be good if Government can come up with some laws/ regulations to regulate price of EE equipment.
 - Participants also requested Government to take the lead in dissemination of information and market data, organize Industry meet of all the stakeholders together namely, Government, suppliers, BEE, Banks and MSMEs to discuss and brainstorm on the Energy Savings further.
- Government can provide benefits/ incentives for domestically sourced Energy Efficient equipment.
 - Tax holidays for business entities implementing energy efficiency projects will encourage and motivate more MSME units joining the energy savers.
 - Banks were requested to come up with simplified processes to reduce turnaround time in processing these loans.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

● Opportunities

- New source of revenue for banks
- Energy saving can be pitched as a new idea as it helps increase profit without increasing topline.
- Lower payback period is an attraction for funding these projects

● Concerns

- One of the major concerns was found as Lack of technical knowledge about machines
- Another concern which bothered the bankers in this region was that it is difficult to assess quantum of savings from using energy efficient technology.

- Some bankers also shared that it is difficult to collateralize the asset against which loan is given
- Unavailability of sound capital structure of the entrepreneur also many times does not allow banks to give finance to the MSME unit
- Bankers shared that in this cluster, enough R&D institutions are not available especially in the area of Energy Efficiency.

Lime Kiln Cluster (Jodhpur)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- In this cluster, it was found that bankers are not much convinced with EE Financing as a new source of Revenue for bankers, like other clusters. Bankers were more apprehensive as to feasibility of EE Financing turning up into a big revenue source as most of the loans will be a small ticket loans (less than Rupees Ten Lakhs).

- Other reasons that the bankers felt were as follows:

- MSME are not open to new ideas, and also energy saving is not on the priority list of most of the MSMEs. Therefore, even if the banks may want to promote EE Financing, some bankers felt that this may not create much opportunities
- Another reason the bankers found was that Banks as well as MSMEs are not familiar with the energy efficiency financing options
- Promoters do not have enough knowledge about the energy efficiency machinery
- It is not easy to identify machines which provide energy efficiency technology

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Unanimously all the bankers felt that it is utmost priority to create awareness among all stakeholders.
- Bankers also shared that there is a need to promote energy efficiency financing on the lines of CGTMSE to generate interest among bankers as well as MSMEs for EE Financing.
- They also thought that availability of complete details of Energy Auditors may help in pushing EE Financing, at least by providing a solution to the resistance from the Bankers to give the finance.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Tax concessions to the manufacturer of the Energy Saving Machines can be given to promote Energy Conservation and Energy Savings in the country.
- There should be a mechanism to verify the pre-set specifications of energy efficiency machines.
- Grading the manufacturers of Energy Saving Machines and Equipments in the line with Star Rating done by BEE can be promoted to inspire and motivate users.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

- **Concerns:**
 - Lack of easy availability of details related to energy auditors
 - Long and complex Compliance of Pollution Control Board norms
 - It was found that enough awareness among bank staff at different levels is highly required to promote EE Financing
 - In current scenario, when bank NPAs are increasing, the bankers were apprehensive in giving loans to MSMEs with a question “will the banks be forthcoming in funding such programs?”

Machine Tools Cluster (Bangalore)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- While implementing EE can be challenging, it will definitely help banks in growing their business. However, most of the bankers agreed that financing energy efficiency project will be beneficial as new source of financing for them.

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Participants in this cluster found Creating awareness among all stakeholders as the top-most priority to push EE Financing.
- Advertisement support from government is required. Along with other schemes of MSMEs,

subsidies/assistance and other benefits for EE also needs to be pushed through advertisements. This can be done by promoting success stories of MSMEs who have implemented energy efficiency measures and have been successful. Such information should be easily available on websites like SIDBI, BEE, MoMSME and different Banks.

- Bankers suggested that the fees charged by energy auditors should be reasonable enough to attract MSMEs get the Energy Audit done. Therefore, if possible, put a cap on energy audit fee for MSMEs.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Participants in the cluster felt that to support faster disbursement of loans, the documentation and processing of EE proposals can be made easier.
- Bankers in this cluster also felt the requirement of Separate policy on guideline for EE financing along with the acceptable description as well as numerical range of ratios for the banks.
- Some of the participants in the cluster shared that RBI should come out with relaxed NPA norms for the loans given to MSMEs. This will help banks to be more confident while giving loans to MSMEs
- Bureau of Energy Efficiency should make energy efficiency projects more popular. Just as energy efficient equipments are graded, energy efficient MSMEs should also be graded.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

● Opportunities

- Bankers found EE Financing as a different source of revenue generation which will help maintaining good rapport with existing customers.
- According to some participants, this also will help in completing Corporate Social Responsibility (CSR) activities of the banks.

● Concerns

- Many participants shared that complete details related to energy auditors is currently not easily accessible. This may create an apprehension for them to believe the Energy Audit Reports prepared by the Energy Auditors
- Bankers also felt that there is not enough awareness among bank staff at different levels. Awareness at all levels across banks needs to be created for this initiative.
- Absence of comprehensive guidelines for EE financing is also one of the major challenge in evaluating the EE proposals especially, technical and legal analysis side.
- In absence of healthy financial positions of MSMEs, it will be difficult to fund MSMEs.

Oil Mills Clusters (Alwar and Rajkot)



(1) Energy Efficiency as a source of financing for bankers

- All the bankers opined that EE financing is a very important source of financing which may help them in generating revenue.
- Moreover, the payback period being short and cash-flows being generated due to energy savings being high, the chances of repayment of interest and loans with less NPA was an attractive factor in favor of EE financing for bankers in this cluster.

(2) How energy efficiency financing can be pushed in the cluster?

- Similar to other clusters, in this cluster also participants shared their requirements from Government for giving more subsidies and fiscal benefits, from BEE to provide a cap for Audit fees and list of energy saving equipments/technologies as well as list of energy auditors, from top management of the banks as more aggressive push and detailed guidelines for Energy Efficiency Schemes and from MSMEs as change in mindset as energy saving to be considered as one of the priorities of the business and cost optimization.

(3) Support required from various stakeholders to push energy efficiency financing

- In this cluster, participants were more concerned about the quality of the Energy Audit Reports. Some of the participants also questioned if there is any need of Energy Audit Report to be prepared, as the bankers are more concerned about the financial viability and less concerned about technical viability. They also shared that the standard Detailed Project Reports available on SAMEEESHKA website are good enough to start the Energy Efficiency Financing. And as the time passes, as the bankers and MSMEs are more aware about the EE financing, the requirement for Energy Audit Report can be made mandatory. However, at initial level, the requirement for Energy Audit Report can be relaxed.
- Bankers suggested that periodical meet of bankers and MSMEs can be arranged wherein success stories of energy efficient technology can be shared with MSMEs. Moreover, stories that have not been so successful can also be shared with MSME units to save them from incurring costs in failure prone technology.

(4) Opportunities and challenges in Energy Efficiency financing

- **Opportunities**
 - Untapped and niche market, especially in terms of increasing revenue and business opportunity for banks which can lead to a win-win situation wherein MSME units also will benefit in terms of cost optimization over long run.

- **Concerns**

- Some bankers also shared that payback period and other financial information given in energy audit report cannot be considered as given in the energy audit report because it does not consider the financing cost and other operational expenses / revenues as well as other financial impact while calculating payback period.

Powerloom Clusters (Nagpur, Panipat and Sangli)



(1) Energy Efficiency Financing as a new source

- Participants shared that bankers at branch level need to be empowered with credit appraisal skills for Energy Efficiency Proposals. Since, it is a new area of funding, the employees will be hesitant to fund as there will be fear of loans turning into bad loans
- Some bank employees felt that a clear cut guidelines need to be published for energy efficiency scheme and to be aggressively promoted by the bank management.

(2) Requirements to push EE financing

- Training of employees to understand benefits of energy efficiency financing is very important. Unless the bankers are convinced of the benefits of EE Financing, it is difficult to push the same even if clear guidelines are available.
- For direct access of EE Financing to the MSMEs, more branches with MSME focus and especially EE Financing focus can be created. A special cell can be created in MSME branches where officers with skills and knowledge about the subject can guide to entrepreneurs. Also easy accessibility of contacts of Energy Auditors in these cells will help in pushing EE Financing.

(3) Support from the stakeholders

- Branches and officers in branches to be convinced and they should finance with equal enthusiasm leaving the old mindset aside.
- The fee charged by energy auditors is required to be known to the bankers as well as MSMEs easily. If possible, Government or BEE can put a cap on energy audit fee for micro, small and medium enterprise.

(4) Opportunity and challenges

- **Opportunities**
 - Energy saving can be pitched as a new idea as it helps increase profit without increasing topline.
 - Lower payback period is an attraction for funding these projects.

Rice Mills Clusters (Warangal, Vellore, Gondia, Ganjam, Karnal, Puri and Silvassa)



(1) Energy Efficiency Financing as a new source

- Bankers in this cluster found that there is a need to create separate department for funding of the energy efficiency schemes as there are lots of potential for funding under energy efficiency
- According to bank employees in this cluster, there is a need to increase awareness among MSMEs as well as banks for this new initiative.
- Most of the bankers agreed that financing energy efficiency project will be beneficial as new source of financing for them. However, some of them raised their concerns about lack of focused approach towards this type of financing.

(2) Requirements to push EE financing

- Bank Officials feel that on the lines of CGTMSE an institution should be created to promote energy efficiency financing
- Participants also suggested that Energy auditors should be available at small centers and the

government should fund energy audit costs. Some participants suggested that banks should recruit some Energy Auditors to avoid the hurdles in Technical Analysis and preparation of Energy Audit Reports.

- Cash flow based lending needs can be encouraged, which makes bankers more confident about repayment of interest and loans out of cash flows generated by the MSME units through energy savings.
- Simplification in the processes for quicker disbursement is also one of the priority to push EE financing.
- Being a new area of financing, bankers felt that they need special on-the-job training on appraisal of EE projects.

(3) Support from the stakeholders

- The management of the bank should make energy efficiency financing as one of the key areas of lending.
- The loans should be provided on subsidized rate of interest.
- There should be a longer moratorium period on loans so that MSMEs are not under pressure to repay loans immediately.
- Promote success story of MSMEs who have implemented energy efficiency measures and have been successful.

(4) Opportunity and challenges

- **Opportunities**

- Huge untapped potential, lower payback period of energy efficiency projects.

- **Concerns**

- Bankers pointed out that MSMEs are not very serious especially in EE measures. There can be problem in identifying trustworthy equipment suppliers / vendors.
- Limited awareness amongst MSMEs for EE Initiative is also sometimes creating challenges for bankers to push EE Financing.

Tea Cluster (Jorhat)



(1) Energy Efficiency as a source of financing for bankers

- Many bankers appreciated that EE financing especially to MSME businesses will reduce the load for Priority Sector Lending targets.
- Most of the bankers appreciated EE financing as a new source of revenue.

(2) How energy efficiency financing can be pushed in the cluster?

- Participants in this cluster shared that Bureau of Energy Efficiency should make energy efficiency projects more popular. Just as energy efficient equipments are graded, energy efficient MSMEs should also be graded.
- Bankers opined that Relaxed NPA norms for EE financing may help bankers becoming more confident in financing under EE Schemes to MSMEs.
- Majority of bankers are not aware about EE financing. Hence, bankers felt that more awareness programs should be conducted.

(3) Support required from various stakeholders to push energy efficiency financing

- Participants felt that the List of Energy Auditors in specific regions if easily available will help MSMEs as well as bankers.
- Specific Targets for Energy Efficiency Financing will lead bankers to promote EE financing schemes.
- Green rating by Credit Rating Agencies can be promoted to make the process of evaluation of EE proposals easier.

(4) Opportunities and challenges in Energy Efficiency financing

- **Opportunities**

- All the bankers welcomed Energy Efficiency Financing as a very important source of financing from all the perspectives namely,

revenue generation capacity, possibility of helping society in saving energy indirectly, possibility of corporate social responsibility fulfillment and also likelihood of helping MSMEs grow through cost optimization with energy saving investment funding.

- **Concerns**

- Bankers felt that Bank staff is not experienced and having enough skills for evaluating energy efficiency projects especially from the technical, legal and environmental analysis is concerned.
- Participants also shared that absence of comprehensive guidelines from top management of banks makes it difficult for them to push EE financing in their cluster.
- Lack of interest by MSMEs as energy cost is comparatively less in their total cost of production is also one of the major challenges in explaining MSMEs about benefits of energy savings and cost optimization.

Textile Clusters (Surat and Tirupur)



(1) Energy Efficiency as a source of financing for bankers

Bank employee feels that energy efficiency is a new source of financing for them and have the following view of EE Financing:

- EE financing can be made popular in the cluster if adequate support is available to the bankers.
- EE financing to new customers will increase opportunities for bankers to offer other lending solutions as well.
- Many bankers also appreciated that EE financing especially to MSME businesses will help them achieve Priority Sector Lending targets.

(2) How energy efficiency financing can be pushed in the cluster?

Bankers feel that a series of steps are required to push energy efficiency financing in their cluster. Some of these steps are as follows:

- Bankers opined that there is a need to change approach to fund EE project in the area.

- Along with bank employees even MSMEs need to be made aware about EE projects, technical aspects of EE, project appraisal process and other relevant aspects of EE financing.
- There is a need to involve various stakeholders like energy auditors, industry associations, MSMEs and banks to make this project successful.

(3) Support required from various stakeholders to push energy efficiency financing

On the question on the support required from various stakeholders, we got the following responses:

- Being a new area of financing, bankers felt that they need special on-the-job training on appraisal of EE projects.
- Bankers felt that for bank branches which service MSME funding, there should be a separate helpdesk to encourage and facilitate EE financing.

(4) Opportunities and challenges in Energy Efficiency financing

Energy efficiency financing being a new area of financing offers both opportunities and challenges which can be summarized as follows:

● **Opportunities:**

- Realistic ideas for energy savings has the potential to be pitched as a funding requirement.
- Lower payback period in most of energy efficiency projects, so opportunity in early repayment and recovery.

- Untapped and niche market, especially in terms of increasing revenue and business opportunity for banks which can lead to a win-win situation wherein MSME units also will benefit in terms of cost optimization over long run.

● **Concerns:**

- One of the major concerns found by bankers in this region was lack of awareness about the subject at different stakeholder's level including Banks, MSMEs etc.

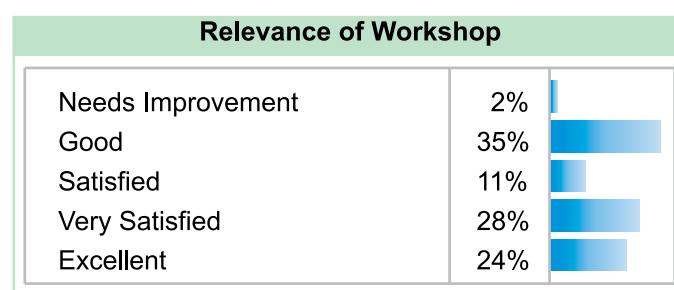
The objective of the MSME Energy Efficiency financing program conducted across 50 centers was to create awareness among bankers to explore the area of energy efficiency financing. Energy efficiency financing helps in attaining dual objective: one, making small businesses more competitive and sustainable and secondly, the use of environment friendly energy efficient technology. D&B got multiple other partners involved in this project thus achieving this basic objective. These workshops provided the right platform to solicit opinion of the banks employee and other lending institutions to explore opportunities available for lending institutions as well as issues and challenges faced by them. The views expressed by participants during the program covers their views on various aspects of energy efficiency financing. Some of the key learning from this initiative is as follows:

- Bank employees across all centers liked the energy efficiency program. They opined that the material shared with them during the program will go a long way in helping them understand the financing program and also help them clear their doubts as this is totally new area for them.
- Bank employees also agreed that they were not aware about energy efficiency being a new area of funding for them. Some of them were pleasantly surprised to find that their banks already have a scheme on this area of funding which can be utilized by them in the days to come.
- In spite of the issues and challenges faced in this new area of funding, banks employees expressed their view that with adequate support from various stakeholders they can take this program, ahead and use it for better business prospects.

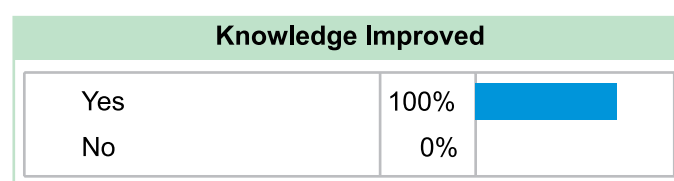
Annexure 1 : Participant Feedback on the Workshop

Following graphs present the feedback of the workshop as given by the participants:

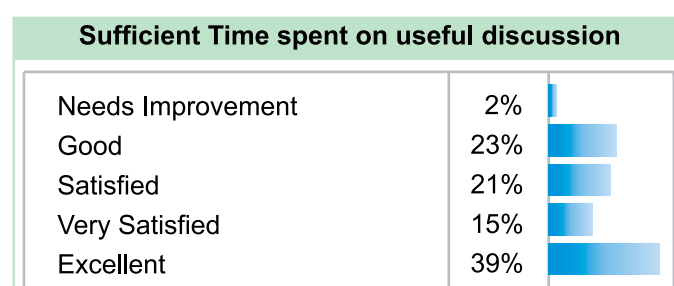
1. Was the workshop relevant and helped in acquiring knowledge / information about loan schemes for Energy Efficiency Projects?



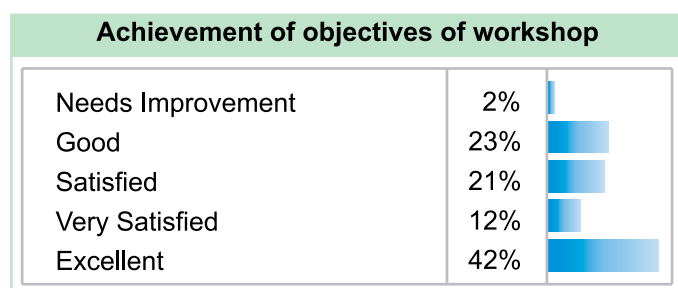
2. Do you think your knowledge about Energy Efficiency financing and its importance has improved after attending this workshop?



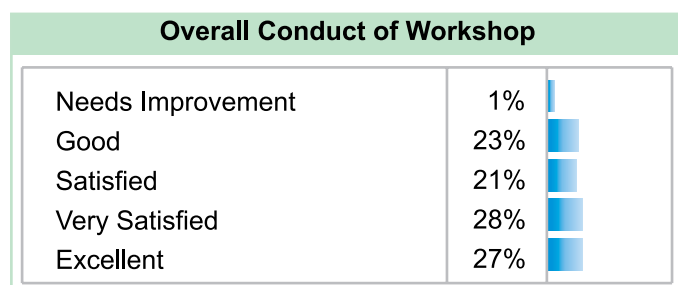
3. Whether sufficient time was spent on useful discussions, and question and answers.



4. The extent to which workshop objectives have been achieved.



5. Overall organisation of the workshop including facilities, duration, contents, Venue, food and other arrangements.



contents and delivery mechanism of the workshop are as follows:

- This type of workshop should be regularly conducted.
- Contents were very much updated and delivery mechanism was good too.
- The training was very much useful.
- A good initiative for imparting awareness.
- Very much interactive and sufficient time was spent on important discussions.
- The suggestions of the participants about the improvement of the training program are as follows:
 - Such programs should be held on regular basis. Follow up workshop should be conducted.
 - Duration of workshop should be increased.

Other Feedback and suggestions:

- Participants suggested follow-up workshops later on as a refresher.
- Bankers appreciated the initiative of the workshop on a subject of a national importance.
- Most of the participants found the workshop interactive, knowledge enhancing, well planned and well structured.
- Other responses of the participants about the



About GIZ

The services delivered by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH draw on a wealth of regional and technical expertise and tried and tested management know-how. As a federal enterprise, we support the German Government in achieving its objectives in the field of international cooperation for sustainable development. We are also engaged in international education work around the globe. GIZ currently operates in more than 130 countries worldwide. Please visit, www.giz.de

GIZ in India

Germany has been cooperating with India by providing expertise through GIZ for more than 50 years. To address India's priority of sustainable and inclusive growth, GIZ's joint efforts with the partners in India currently focus on the following areas:

- Energy- renewable energy and energy efficiency
- Sustainable Urban and Industrial Development
- Natural Resource Management
- Biodiversity
- Sustainable Economic Development
- Social Protection
- Financial Systems Development

Small Industries Development Bank of India (SIDBI)



Small Industries Development Bank of India (SIDBI), set up on April 2, 1990 under an Act of Indian Parliament, is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities.

The business domain of SIDBI consists of Micro, Small and Medium Enterprises (MSMEs), which contribute significantly to the national economy in terms of production, employment and exports. MSME sector is an important pillar of Indian economy as it contributes greatly to the growth of Indian economy with a vast network of around 3 crore units, creating employment of about 7 crore, manufacturing more than 6,000 products, contributing about 45% to manufacturing output and about 40% of exports, directly and indirectly. In addition, SIDBI's assistance also flows to the service sector including transport, health care, tourism sectors etc.

Promotional & Developmental Services

SIDBI has devised several initiatives and replicable models for strengthening the MSME eco system. The Promotional & Developmental (P&D) activities of SIDBI are designed to achieve the twin objectives of (a) Promotional - enterprise promotion resulting in setting up new units and creation of additional employment through its select programmes, such as, Micro Enterprise Promotion Programme, Entrepreneurship Development Programme (EDP) and Vocational Training, etc. and (b) Developmental - enterprise strengthening to enable MSMEs to face the emerging challenges of globalization and growing competition through select interventions, such as,

Skill-cum-Technology Up-gradation Programme (STUP), Small Industries Management Programme (SIMAP), Cluster Development Programme (CDP) and Marketing Assistance. The new identified pillars of support include Credit Advisory to MSMEs, Loan Syndication, Capacity building of smaller banks/institutions and bridging the information gap.

Financial Services

SIDBI is actively serving the MSME sector by providing various financial products which are tested, validated and customized as per aspirations and demands of MSME domain. It reaches MSME directly through its 85 branches as well as through the large network of banks. We have taken lead in solutions towards delayed payments, sustainable/responsible financing, risk capital, service sector financing, cluster financing and micro finance.

Institutional Solutions

SIDBI has contributed to the MSME sector by its institution building activities which include promotion of:

- SIDBI Venture Capital Limited (promoting venture capital, private equity for MSME and social entrepreneurship promotion)
- Credit Guarantee Fund Trust for Micro and Small Enterprises as credit supplementation through collateral free loans
- SME Rating Agency of India Ltd. (independent ratings for accessing credit)

- India SME Technology Services Ltd. (technology solutions and match making)
- India SME Asset Reconstruction Company Ltd.(unlocking the locked capital in non-performing MSME loans)

Achievements

SIDBI, as on March 31, 2012, has made cumulative disbursements of over INR 2.62 trillion Crore (USD 49 billion) benefitting more than 32.5 million persons. SIDBI has won several international awards and recognitions, from time to time. Several models developed by SIDBI are today getting increasingly replicated (i.e. MFI led inclusive growth, community linked financing model, Industry Association-BMO-led financing model, participatory development approach, cluster development - both hard infrastructure development support as also Making Market Work For MSMEs through business development service).



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that truly go beyond making statements about doing business “ethically” and translate those words into action.

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BSE set up an Investor Protection Fund (IPF) on July 10, 1986 to meet the claims of investors against defaulter Members, in accordance with the Guidelines issued by the Ministry of Finance, Government of India. BSE Investor Protection Fund is responsible for creating Capital markets related awareness among the investor community in India. BSE IPF is complied with the SEBI Circular dated 28th October 2004, issued by the Deputy General Manager, Market Regulation, SEBI (MRD/DoP/SE/Cir-38/2004).

Objectives and Activities:

- To meet defaulter claims of defaulting BSE member broker against his clients.
- To conduct independent research related to thinly traded BSE listed companies.
- To arrange Investors Awareness Programs throughout the country in association with Investors' associations registered with SEBI, Educational institutions, SEBI, Professional bodies like ICSI, ICAI, members etc.
- To organize Events & Conferences in association with local chambers of commerce and Industry related to Investor Awareness and education.
- To educate the investors on various products available in the Capital markets.

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