

Sidbi, Kreditanstalt fur Wiederaufbau plan to inject Rs 100 crore in clean tech start-ups

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NEW DELHI: Small Industries Development Bank of India (Sidbi) and German development bank Kreditanstalt fur Wiederaufbau (KfW) plan to allocate over Rs 100 crore to clean technology-focused start-ups in 2015-16 as both agencies look to ramp up their support for early-stage ventures operating in this sector.

The allocations will be structured in the form of debt and mezzanine finance rather than pure equity and will focus on micro, small and medium enterprises (MSMEs) involved specifically in the supply side of clean technology including renewable energy, energy efficiency, buildings, water, waste management and pollution control, among others.

The two development banks are looking to finance start-ups with allocations ranging from Rs 90 lakh to Rs 35 crore, according to Harsh Kaul, chief general manager and country head of risk capital and service sector vertical at Sidbi. "We have already committed Rs 248 crore till date, which has gone to about 32 MSMEs, as well as through our role as Limited Partners, into funds," Kaul said.

The Innovations Finance Programme line of credit, which started in 2013, will charge interest rates between 12.5% and 14.5%, and also offer an interest rate concession to start-ups that continue to be far lower than that being offered in the market, or by non-banking finance companies. "We also consider companies which are on the growth path, and which could even have a turnover of Rs 200 crore. We can offer them, through mezz financing, loans at between 13.5% and 15.5%," said Kaul.

Sidbi and KfW, which is one of the world's biggest development banks and among the most active investors in India, have established about nine lines of credit since the 1990s. As one of the country's most active LPs in venture capital funds, Sidbi, which has invested in over 60 venture capital funds till date, has come on board as an investor in INFUSE Ventures, the Ahmedabad-based sustainable energy and clean technology early stage fund, having invested Rs 18 crore in the fund's corpus.

"We can do direct and indirect investments. We have to increase our outreach. Our approach has to be mostly a direct one, because there are very few funds in India currently operating in the clean tech space," said Kaul.

Separately, other financial entities are also strongly considering setting up in clean technology-focused funds in India.

Renewal of focus on clean technology also comes at a time when the Modi government has announced ambitious plans of developing 100 smart cities while making the Clean India campaign among its cornerstones since coming to power last year.

The Sidbi-KfW line of credit is valid till 2017, but both entities expect to commit the entire amount by March 2016, and will start discussions to create a new line of credit. "Given that this is clean technology, this is a big amount, and we're hoping to kick-start something new and exciting going forward," Kaul said.