

18th
**ANNUAL
REPORT**
2017-18

**CREDIT GUARANTEE FUND TRUST FOR
MICRO AND SMALL ENTERPRISES**





“इसमें मुझे कोई संदेह नहीं कि अगर हम लघु उद्योगों की मदद करते हैं तो राष्ट्रीय सम्पदा को समृद्ध करते हैं। मुझे इसमें भी कोई संदेह नहीं है कि सच्चे स्वदेशी इन गृह-उद्योगों को प्रोत्साहित और पुनर्जीवित करते हैं। यह लोगों की रचनात्मकता और साधनसंपन्नता को दर्शाने का एक जरिया भी है। यह देश में सैकड़ों युवाओं को जिन्हें रोजगार की जरूरत है, रोजगार प्रदान कर सकता है। इससे वर्तमान में व्यर्थ होने वाली सभी ऊर्जा को एक नई दिशा दी जा सकती है।”

“I have no doubt in my mind that we add to the national wealth if we help the small-scale industries. I have no doubt also that true Swadeshi consists in encouraging and reviving these home industries. It also provides an outlet for the creative faculties and resourcefulness of the people. It can also usefully employ hundreds of youths in the country who are in need of employment. It may harness all the energy that at present runs to waste.”

-Mahatma Gandhi

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Letter of Transmittal

Credit Guarantee Fund Trust for Micro and Small Enterprises,
SIDBI, MSME Development Centre, 6th Floor, C-11, G Block,
Bandra Kurla Complex, Bandra (East), Mumbai-400051

October 09, 2018

To
The Additional Secretary & Development Commissioner (MSME)
Ministry of Micro, Small and Medium Enterprises
Government of India
Office of The Development Commissioner (MSME)
Nirman Bhavan, 7th Floor, 'A' Wing
Maulana Azad Road
New Delhi-110108

The Chairman and Managing Director
Small Industries Development Bank of India
Head Office, SIDBI Tower, 15, Ashok Marg
Lucknow-226001

Dear Sir,

In term of Clause 14.2 of the Declaration of Trust executed by the Government of India and Small Industries Development Bank of India, the Settlers, I forward herewith the following documents:

- (i) A copy of audited accounts of the Trust for the financial year ended March 31, 2018 together with Auditor's Report, and
- (ii) A copy of the report on the working of Credit Guarantee Fund Trust for Micro and Small Enterprises for the period ended March 31, 2018.

Place: Mumbai

Yours faithfully
Sd/
(Sanjay N. Singh)
Chief Executive Officer

Message from the Chairman



I am optimistic that the role played by CGTMSE, as an enabler in the financial ecosystem will continue to benefit the new generation entrepreneurs in their entrepreneurial journey.

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), has established itself as a vital institution in facilitating flow of collateral free credit to units in Micro and Small Enterprises (MSE) sector in the last 18 years of its existence. CGTMSE has introduced various structural changes in the current guarantee schemes which would make the schemes more attractive to the MLIs and would enable increased credit flow to the MSE Sector.

The Trust achieved in FY 2018 cumulative guarantee approvals of over 30 lakh with an aggregate loan amount of over ₹1,46,000 crore.

During the event "Rebooting CGTMSE" held on February 20, 2018, CGTMSE announced and subsequently, implemented various policy reforms such as charging of fee on outstanding loan instead of sanctioned amount to incentivise the disciplined borrowers with good repayment track, inclusion of retail trade as eligible activity under CGS, allowing partial collateral security, increase in the extent of guarantee coverage to 75% from existing 50% for loans above ₹50 lakh.

CGTMSE is engaged in creation of a portal with in-built analytics mechanism to extend in principle approval for credit guarantee to MSE applying for it on the portal. This may give impetus to entrepreneurship and flow of credit to MSEs.

CGTMSE has leveraged technology to achieve this scale and the entire operations are carried out online. With a view to improving the operational processes and provide better service to its Member Lending Institutions (MLIs), the Trust further upgraded its technology for enhanced efficiency and better customer service.

During FY 2018, a total of 2,63,195 guarantees have been approved for an amount of ₹19,066 crore. Cumulatively, as on March 31, 2018, a total of 30,29,948 accounts have been accorded guarantee approvals for ₹1,46,829 crore. It is promising to note that the positive impact that CGTMSE had on credit flow to the MSE Sector has been recognized by the Government of India.

CGTMSE has always encouraged sharing of views and experiences amongst institutions engaged in similar activities all over the world.

During the year, the Trust had active interactions with the members of Asian Credit Supplementation Institution Confederation (ACSIC).

I am optimistic that the role played by CGTMSE, as an enabler in the financial eco-system will continue to benefit the new generation entrepreneurs in their entrepreneurial journey. This role played by CGTMSE would not have been possible without the active support and co-operation received from Government of India, Reserve Bank of India, Small Industries Development Bank of India, all Member Lending Institutions and other national and international partner agencies. I extend my sincere appreciation to all the stakeholders for their co-operation and firmly believe that with their continued active support, CGTMSE would continue to scale greater heights.

With regards

Sd/-

Mohammad Mustafa, I.A.S.
Chairman, CGTMSE

Place: Mumbai
Date: September 21, 2018

Board of Trustees of CGTMSE (status as on September 01, 2018)



Shri Mohammad Mustafa, I.A.S. Chairman (Ex-Officio)
Chairman & Managing Director
Small Industries Development Bank of India



Shri Ram Mohan Mishra, I.A.S. Vice-Chairman (Ex-Officio)
Additional Secretary and Development Commissioner
Ministry of MSME, Government of India



Shri Sunil Mehta, Member (Ex-Officio)
Chairman, Indian Banks' Association (IBA)
Managing Director and Chief Executive Officer
Punjab National bank



Shri Sanjay N. Singh, Member Secretary
Chief Executive Officer
Credit Guarantee Fund Trust for Micro and Small Enterprises

Rebooting CGTMSE (Event held on February 20, 2018)





OVERVIEW



MSE Lending Growth Factors

MSE sector is a pillar of economic growth in many developed and developing economies of the world. This segment is the engine of growth for India. Besides playing an important role of development of the country, MSE sector also generates a huge scale of employment opportunities. MSE sector is relatively more resilient and had survived several threats emerging both on domestic and international front.

High Share of number of GST returns filed

MSE sector currently contributes to 90.2% of total share of GST returns filed and contributes to 15.8% of the total tax. Such formalised income sources will help MLIs in faster credit assessment

Employment Generation

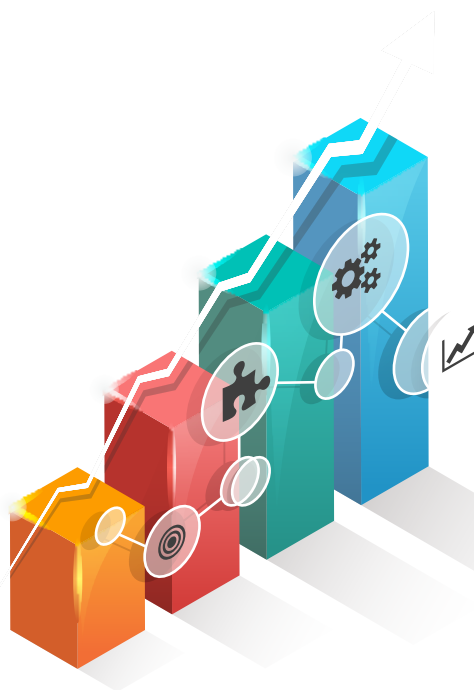
Micro sector with 630.52 lakh estimated enterprises provides employment to 1076.19 lakh persons, which accounts for around 97% and Small sector with 3.31 lakh enterprises provides employment to 31.95 lakh (2.88%) of total employment in the MSME sector.

Growth in Credit Coverage

Micro (exposure less than ₹1 crore) and SME (₹1 crore - ₹25 crore) segments constitute ₹14.3 lakh crore credit exposure (24.3% of commercial credit exposure) with YoY growth of 22.3% and 18.4% respectively.

Low Concentration Risk

With MSE credit being around 5% of the overall bank non- food credit as of end of FY18, there is sufficient scope for increasing further book size



Based on above factors coupled with low NPA trend, MSE sector is expected to grow further in FY19

Source : RBI Data / MSME Annual Report 2017-18 / MSME Pulse Report

Catalytic role of CGTMSE in the MSE sector



Credit Guarantee Schemes have been favored by the Government for development of MSE sector

Thanks to the guarantee backing provided by the Trust, MLIs are able to extend loans to MSE entrepreneurs, who would have otherwise been deprived of the same due to lack of collateral and personal guarantee. This enables flow of credit to creditworthy entrepreneurs in the segment. Additionally, since this benefit is restricted specifically to the MSE sector which has an important place in the Indian economy both for growth and employment generation, the positive externalities out of the same is manifold.

Major Policy Changes

CGTMSE had introduced major policy changes which made the Credit Guarantee Scheme (CGS) more attractive to MLIs and that would enable the increased credit flow to MSE Sector. The following changes were unveiled in an event "REBOOTING CGTMSE" jointly organized by Ministry of MSME, Gol and CGTMSE on February 20, 2018:

Increase in the extent of guarantee coverage

Increase in the extent of guarantee coverage to 75% from existing 50% for proposals above ₹50 lakh also.

Charging of fee on outstanding loan instead of sanction amount

Charging Annual Guarantee Fee (AGF) on Outstanding Loan Amount rather than sanction amount under CGTMSE. This has been longstanding demand of the Member Lending Institutions (MLIs) and MLIs expect increased uptake in guarantee backed loans with this change. Further, this change will incentivise the disciplined MSE borrower.

Inclusion of MSE retail trade as eligible activity

Expanding the coverage of the Credit Guarantee Scheme (CGS) to cover 'MSE Retail Traders' segment. This would enable considerable scope of expansion as the segment forms a large proportion of the MSE Sector.

Allowing partial collateral security

Allowing loans with partial collateral security under Credit Guarantee Scheme. This apart from bringing larger number of loans under the ambit of credit guarantee would also help in promoting disciplined credit behaviour.

Introduction of payout caps

In order to create sustainability of the Trust, cap on total claim settlement introduced, based on the fee and recovery remitted by the MLI. Claims of the respective MLI will be settled to the extent of 2 times of the fee including recovery remitted during the previous financial year.

CGTMSE's Engagements with Member Lending Institutions

CGTMSE engages continuously with MLIs to enhance the features of guarantee products and enhance credit flow

Information Dissemination

CGTMSE conducts trainings for on the ground staff of MLIs about Credit Guarantee Scheme to ensure that worthy clients are not missed out

Proactive Process Improvement

CGTMSE improves its operational processes proactively in order to facilitate smooth functioning of the CGS operations



Design Scheme specific product

Engages with MLIs to help design products to derive benefit of CGS for focused delivery of the scheme to the end beneficiary

Integration plan between CGTMSE and Bank IT System

IT infrastructures of Banks and Trust being integrated for synergy in operations

MLIs can increase the reach of credit with CGTMSE bearing a portion of the risk.

A successful credit guarantee ecosystem is incomplete without a constructive engagement with the MLI. CGTMSE is working towards integrating IT infrastructure to enable lesser human intervention and quicker turn around for majority of the processes. Besides, CGTMSE does frequent interaction with its MLIs not just to push for business numbers but also to disseminate information and jointly engage MLIs as part of new product design. With such active and two way communication, the guarantee environment for MSE is expected to grow manifold and benefit all stakeholders.

Adoption of New Logo



Logo

The transformative journey of CGTMSE has begun with change of its logo. The new logo, a "colourful flying bird" which symbolises providing wings to entrepreneurial zeal of millions of youth in the country, who are having bankable business ideas but lack collateral security and /or third party guarantee to access credit from formal source. Here CGTMSE extends them a helping hand by providing guarantee, to enable them to access credit to set up viable micro and small enterprises, thereby transforming them from job seekers to job providers and meaningfully contribute to nation building.

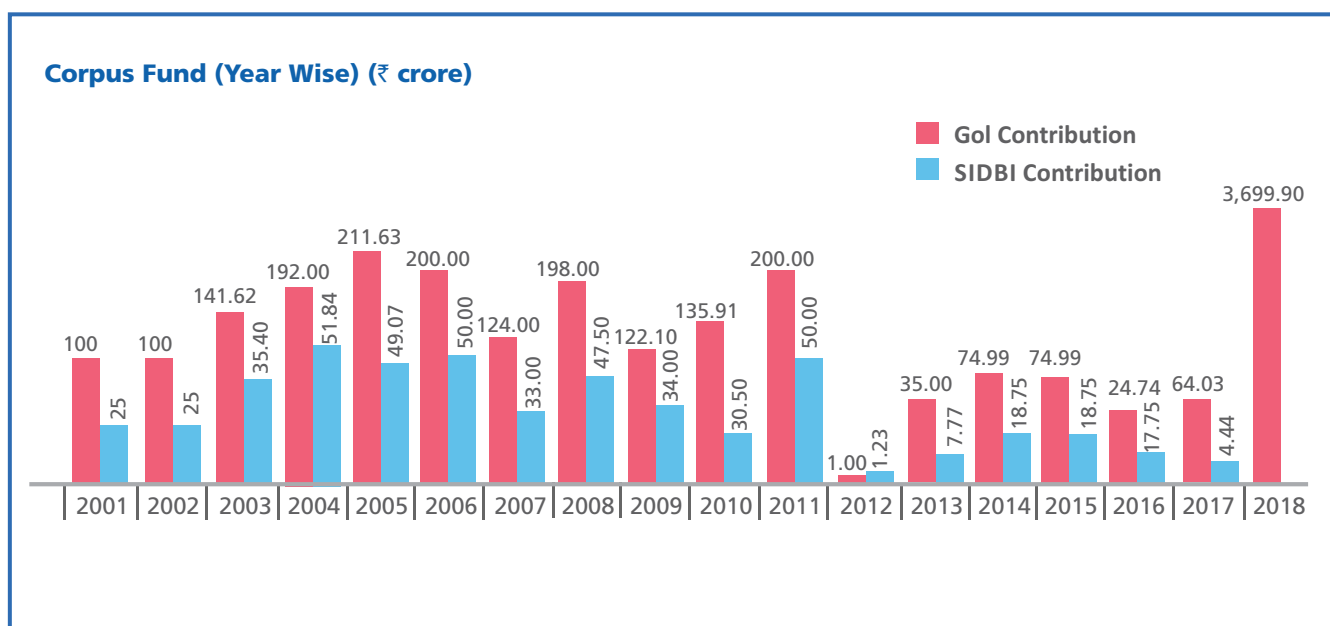
Brand UDAAN

"UDAAN" as a brand would easily connect the schemes with prospective entrepreneurs and MSEs. It will add freshness to the image and help in spreading the scheme among the young MSE entrepreneurs in getting access to finance for their businesses. UDAAN as a brand will resonate with new age entrepreneurs who are mostly young, belonging to various regions of India and want to see their dream organisations 'fly' i.e., grow rapidly into successful businesses.

Performance Snapshot of 2017-18

1 Corpus Fund of CGTMSE

The initial corpus fund of ₹2,500 crore of the Trust was contributed by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. The committed corpus of the Trust is now enhanced to ₹7,500 crore to be contributed by GoI (₹7,000 crore) and SIDBI (₹500 crore). During FY 2018, the Trust received ₹3,699.90 crore towards Corpus contributed by GoI, taking the aggregate corpus amount of individual contributions of GoI and SIDBI to ₹5,699.90 crore and ₹500.00 crore respectively. Thus, as on March 31, 2018, the total contributed Corpus was ₹6,199.90 crore. The details of year-wise corpus contribution is given below:



2 Member Lending Institutions (MLIs)

Consequent upon amalgamation of number of Regional Rural Banks (RRBs) beginning FY 2013 at the instance of Ministry of Finance, Govt. of India, the total number of RRBs which had availed guarantee cover from CGTMSE reduced from 73 to 51 by the end of FY 2018. These 51 RRBs were individually required to re-register with CGTMSE, as per its revised registration criteria, for continuation of guarantee approval. Till the period under review, out of the 51 RRBs, 26 RRBs, who were complying with the revised registration criteria, have been re-registered as MLIs of CGTMSE. Scheduled Small Finance Banks (SFBs) were made eligible for registering as MLI during FY 2018. The overall number of MLIs of the Trust is 113 as on March 31, 2018. Currently, 51 RRBs, 21 Public Sector Banks, 20 Private Sector Banks, 5 Foreign Banks, 9 other Financial Institutions, 1 Small Finance Bank and 6 Non-Banking Financial Companies are registered MLIs for availing guarantee cover from the Trust.

Composition of MLIs as on March 31, 2018

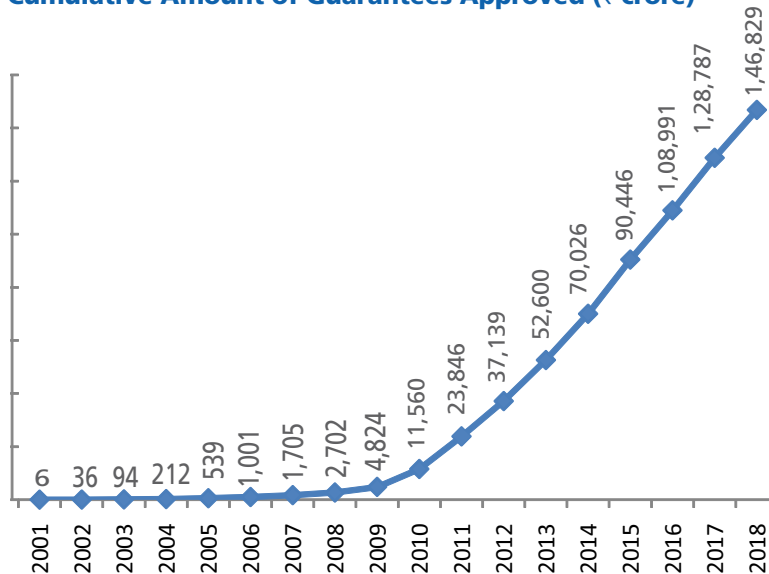
Member Lending Institutions (MLIs) - 113



3 Operations under CGS

3.1 As at the end of March 31, 2018, there were 95 MLIs which were availing guarantee cover. Graph below gives the details of year-wise cumulative guarantee approvals since inception till March 31, 2018:

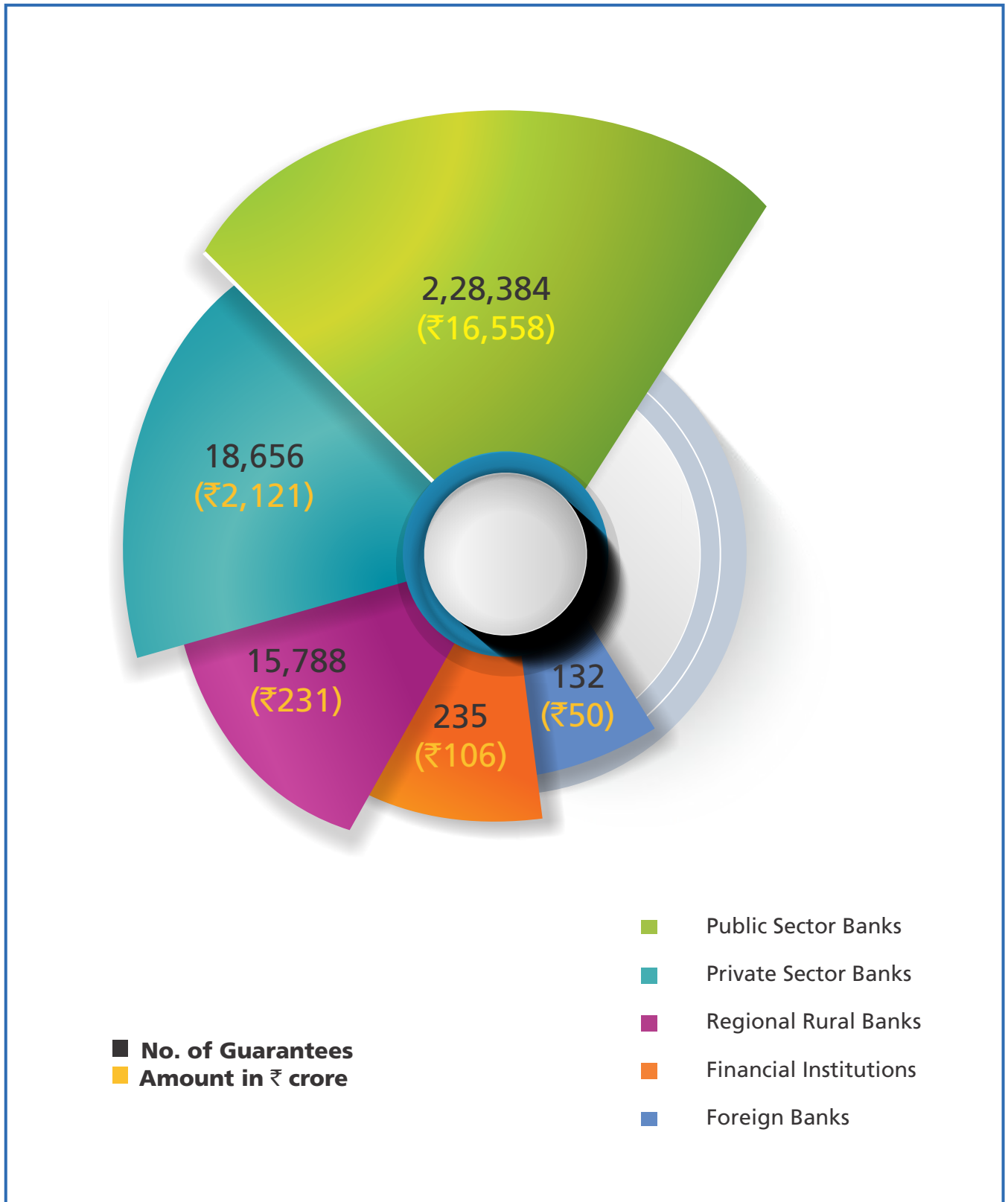
Cumulative Amount of Guarantees Approved (₹ crore)



Note : Actual may vary due to intervening cancellations / modifications.

3.2 During FY 2018, a total of 2,63,195 guarantees were approved for an amount of ₹19,066 crore. Cumulatively, as at March 31, 2018, a total of 30,29,948 accounts have been accorded guarantee approvals for ₹1,46,829 crore. The average loan size has scaled up in FY 2018 due to increase in the ceiling of the guaranteed amount from ₹1 crore to ₹2 crore and subsequent increase in the coverage in this slab.

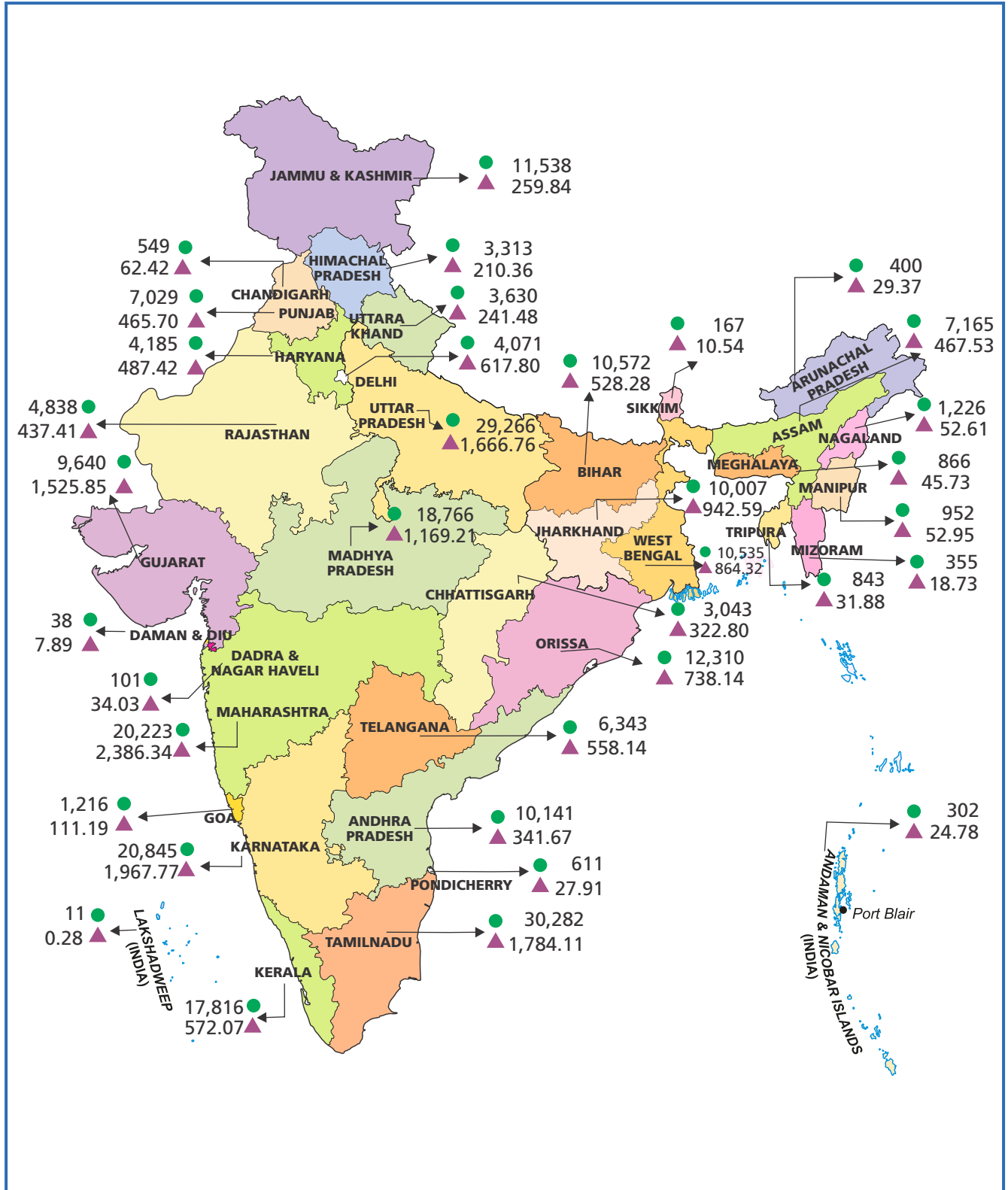
3.3 Guarantee coverage in FY 2018 - MLIs' Category-wise



3.4 State-wise Coverage

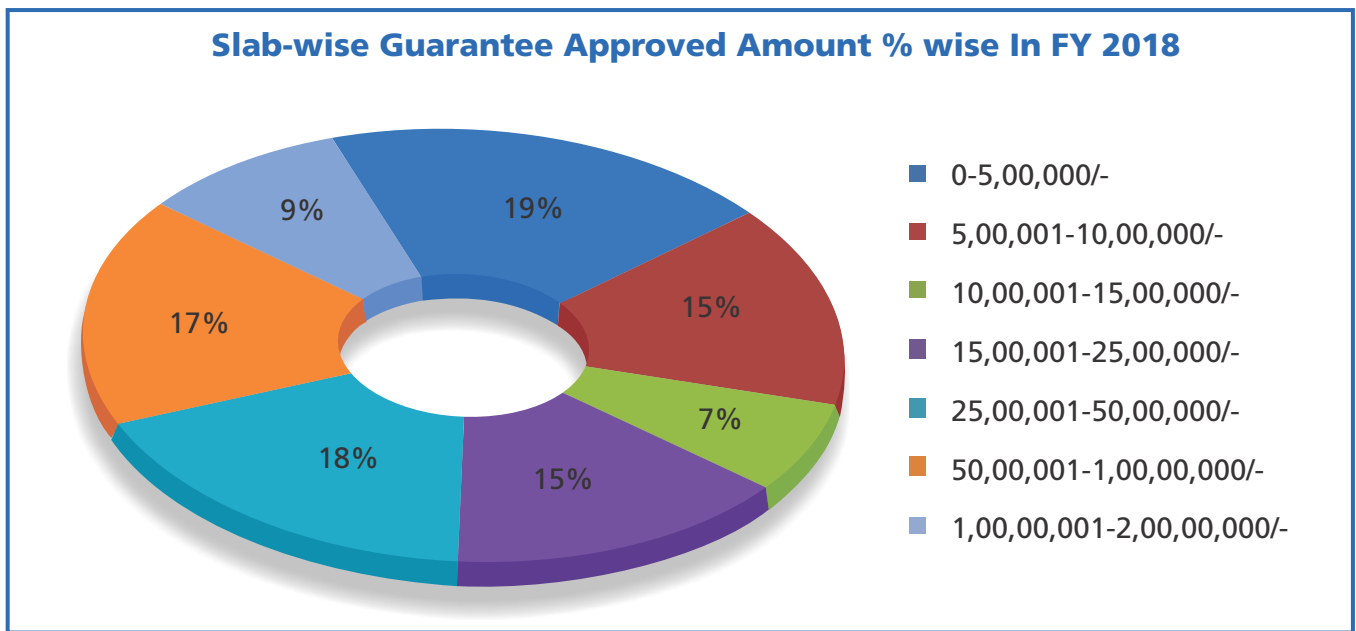
Financial Year 2017-18

- No. of Guarantees
- ▲ Approved Amount (in ₹ crore)



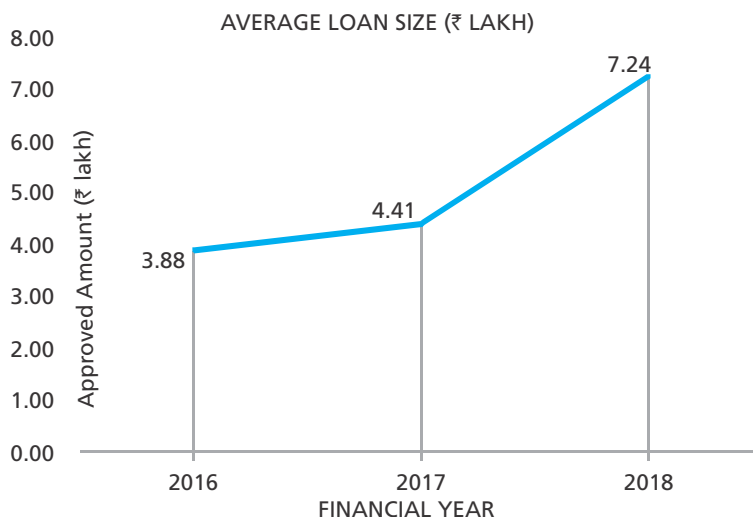
Slab-wise Coverage

3.5 The graph on slab-wise coverage during FY 2018 under CGS is given below. The majority of proposals approved during FY 2018 were in respect of smaller loans. 1,86,371 proposals for ₹3,523 crore were in respect of loans up to ₹5 lakh accounting for 71% of the total guarantees approved in FY 2018 by way of numbers. Of the 2,63,195 proposals for ₹19,066 crore approved in FY 2018, 74,283 proposals (28%) pertained to category having credit component up to ₹1 lakh, 54,204 proposals (20.59%) having credit component in the range of ₹1,00,001 to ₹2 lakh, 57,884 proposals (21.99%) in the range of ₹2,00,001 to ₹5 lakh, 38,451 proposals (14.61%) in the range of ₹5,00,001 to ₹10 lakh, 23,848 proposals (9.06%) in the range of ₹10,00,001 to ₹25 lakh, 9,208 proposals (3.49%) in the range of ₹25,00,001 to ₹50 lakh and 5,317 proposals (2%) in the range of above ₹50 lakh to ₹200 lakh category.



Average size of loans covered

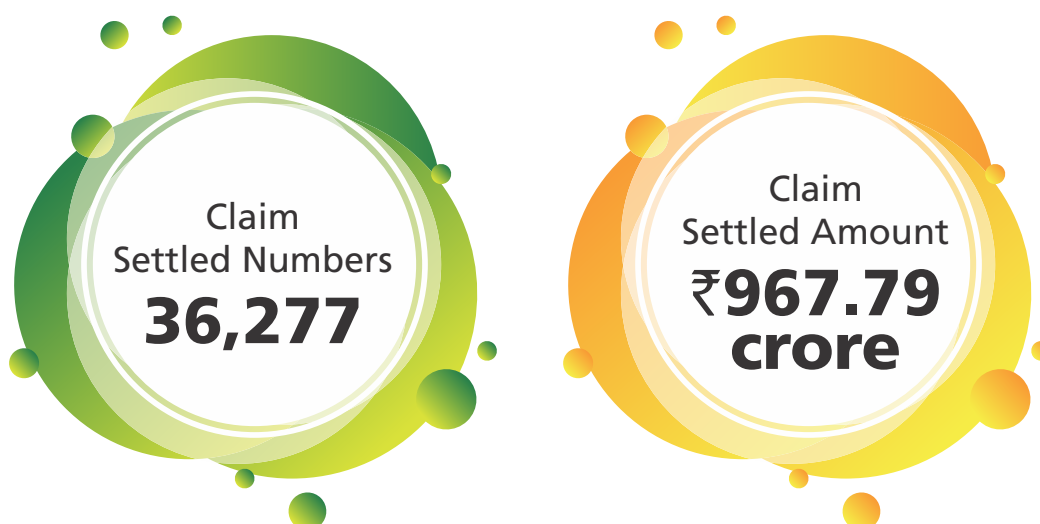
3.6 The overall average size of loans covered under the scheme has significantly increased to ₹7.24 lakh during FY 2018 from the corresponding figure of ₹4.41 lakh in the previous year mainly on account of increase in guarantee coverage from ₹100 lakh to ₹200 lakh.



Claims Settlement & Closure

- 3.7 During FY 2018, 38,714 applications were received for invocation of guarantee and settlement of claims against the defaulting borrowers against which guarantees have been issued by CGTMSE and the guarantees were in force. Out of the applications lodged earlier and pending for settlement at the end of FY 2017 as well as applications received during FY 2018, claims in respect of 33,980 units have been settled mainly for the first installment aggregating ₹927.13 crore. Further, second and final claims of ₹40.66 crore were settled for 2297 units during the FY. Cumulatively as on March 31, 2018, guarantee claims in respect of 3,365 units have been rejected for ₹266.30 crore and guarantee claims in respect of 1,192 units have been withdrawn by MLIs for ₹54.11 crore.

Financial Year 2018



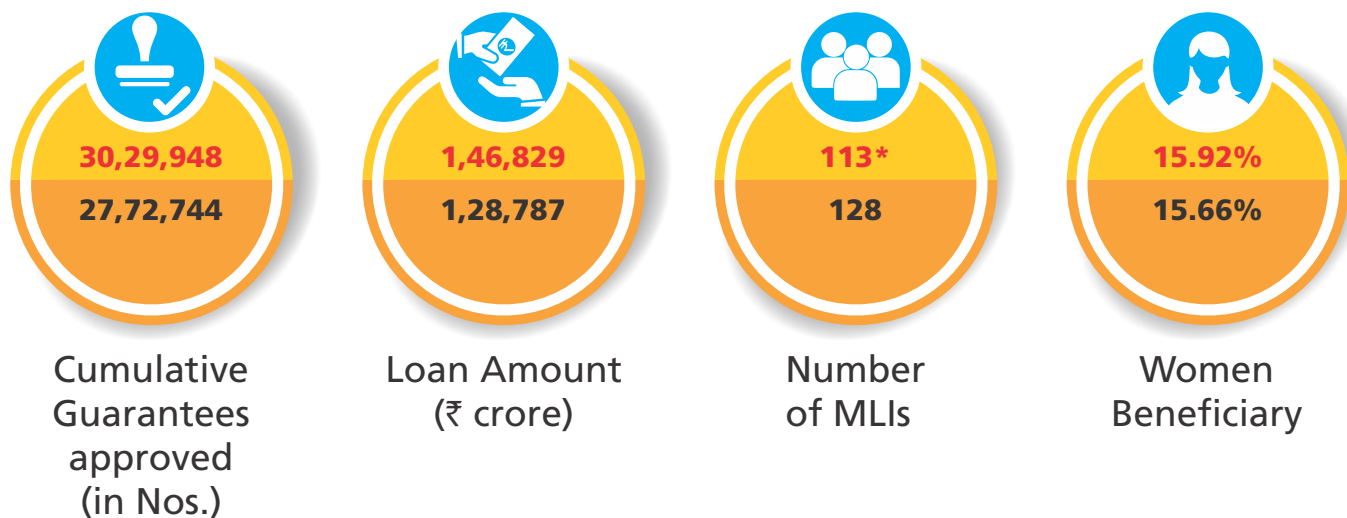
Post claim settlement recoveries

- 3.8 The recoveries, post claim settlement, have seen significant growth during FY 2018. The Trust received ₹177.94 crore on this account as against ₹125.49 crore received during FY 2017. The improvement is mainly on account of focused attention given by the Trust to post claim settlement monitoring mechanism. In addition, the trust has automated the remittance of recovery process through the technology platform which has eased the hardship for MLIs to remit amount recovered.

4 Workshops/ Training Programmes

In order to deepen and widen the reach of the Scheme, CGTMSE conducted and attended various workshops / training sessions for the bank officials of its Member Lending Institutions at various levels including Circle Office, Regional Office, Staff Training Centers, etc., to disseminate information on the revamped Credit Guarantee Scheme (CGS) of CGTMSE to enable eligible micro and small enterprises to avail the benefit of the Scheme. During FY 2018, CGTMSE conducted / participated in a total of 123 awareness programmes / workshops / seminars / meetings, NAMCABs organized by RBI, etc.

5 Overall impact of CGS operations



As on 31.03.2018

As on 31.03.2017

N.B.: Actuals may vary due to intervening cancellations/ modifications. * post-merger

6 Audit & Accounts

Audit

- M/s. K. S. Sanghvi & Co., Mumbai, a firm of Chartered Accountants, was appointed as internal auditors of CGTMSE, for FY 2018. The Auditors undertook a comprehensive review of the entire computer systems as also financial audit covering revenue expenses, investment and revenue income.
- As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. Jain Tripathi & Co., Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTMSE for FY 2017-18.

Accounts

The Trust earned gross income of ₹1,367.96 crore, comprising mainly Guarantee Fee (₹178.48 crore) and Annual Guarantee and Service Fee (₹474.05 crore), Income earned on investments (₹537.17 crore) and Recoveries from MLIs (₹177.94 crore). The Trust incurred an amount of ₹7.70 crore (previous year amount of ₹6.72 crore) towards various operational and administrative expenditure. Yearly provisioning is being made on the basis of actuarial valuation of liability of the Trust since FY 2009. The details of the provision for FY 2018 are given below:

Particulars	Amount (₹ crore)
Opening balance as on April 01, 2017	1,798.45
Less: Claim paid during the year	967.79
Add: Provision made during the year	1,314.84
Closing Balance as on March 31, 2018	2,145.50

As at March 31, 2018, the cumulative provision is estimated at ₹2,145.50 crore. The excess of income over expenditure was ₹45.19 crore after provision for claims as per the actuarial valuation.

During the year, the Trust received Corpus contribution from its Settlor, Gol to the extent of ₹3,699.90 crore. This, together with the corpus contributions already received, and the net income earned by the Trust so far, had been invested in FDs of banks / institutions. The size of the Corpus of the fund as on March 31, 2018 stood at ₹6,199.90 crore. The total fund as at March 31, 2018 stood at ₹8,655.16 crore (net of accrued interest) as against ₹4,611.94 crore as at the end of the previous year. The Corpus as on March 31, 2018 was ₹9,070.35 crore after adding the accrued interest component. During the year ended March 31, 2018, the cumulative guarantees approved amounted to ₹1,46,829 crore.

7 Management & Organization

During FY 2018, the Board of Trustees comprised of Chairman & Managing Director of SIDBI as Ex-officio Chairman, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises (MSME), Government of India as Ex-officio Vice-Chairman, the Chairperson, Indian Banks' Association (IBA) as Ex-officio member and Chief Executive Officer of CGTMSE as Member Secretary. During FY 2018, four meetings of the Board of Trustees were held. As on March 31, 2018, four officers including the CEO were on deputation with CGTMSE from SIDBI.

The Board of Trustees of CGTMSE appreciates the support and cooperation received from Ministry of MSME, Government of India, Office of DC (MSME), SIDBI, RBI, IBA, MLIs of CGTMSE, World Bank, various National and State-level institutions and MSE Industry Associations.



A person in a business suit is holding a tablet computer. The background shows a document with text, which is partially obscured by the tablet and a blue overlay. The text on the document is upside down and difficult to read, but it appears to be a financial or business document. A blue horizontal bar is overlaid on the image, containing the title 'STATEMENT OF ACCOUNTS' in white, bold, uppercase letters.

STATEMENT OF ACCOUNTS

Auditor's Report



JAIN TRIPATHI & CO.

CHARTERED ACCOUNTANTS

HEAD OFFICE: 204-B, RUBY APARTMENTS, SIR M.V.MARG, ANDHERI (EAST), MUMBAI-400069
Tel. No: 022-26830868 o Cell: 09321028751/9869217845 o E-mail: admin@jaintripathi.com

To
The Board of Trustees
Credit Guarantee Fund Trust for Micro and Small Enterprises
Mumbai

1. We have audited the attached Balance Sheet of Credit Guarantee Fund Trust for Micro and Small Enterprises as at 31 March 2018, the Income and Expenditure Account and the Cash Flow Statement for the year ended. The financial statements are the responsibility of the Trust's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Accounting Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.
3. We report that
 - a. We have obtained all the necessary information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts, as required by the Trust so far as it appears from our examination of those books.
 - c. The Balance Sheet, Income and Expenditure Account and the Cash Flow Statement dealt with by the report are in agreement with the books of accounts.
 - d. In our opinion, the financial statements, read together with the notes thereon, give true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of Balance Sheet, of the state of affairs of the Trust as at 31st March 2018
 - ii. In the case of Income and Expenditure Account, of the excess of income over expenditure of the Trust for the year ended on that date.
 - iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For JAIN TRIPATHI & CO.
Chartered Accountants
FRN: 103979W

Place: Mumbai
Date: 20/09/2018

Sd/-
D. P. TRIPATHI
Partner
M.No. 013593

B A L A N C E S H E E T

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Balance Sheet as on March 31, 2018

Particulars	Schedules	As on 31.03.2018		As on 31.03.2017	
		(₹)	(₹)	(₹)	(₹)
Sources of Funds					
Corpus Fund	1		72,13,97,53,855		34,68,86,04,114
General Reserve	2		74,20,662		74,20,662
Current Liabilities & Provisions	3		23,57,62,77,330		18,84,73,33,785
TOTAL			95,72,34,51,847		53,54,33,58,561
Application of Funds					
Fixed Assets					
Computer & Software		2,85,69,407		2,40,97,314	
Less : Depreciation Reserve		1,97,83,423	87,85,984	1,84,48,240	56,49,074
Furniture & Fixture		13,81,329		12,37,595	
Less : Depreciation Reserve		3,89,838	9,91,491	2,35,689	10,01,906
Motor Car		12,66,029		12,66,029	
Less : Depreciation Reserve		5,65,941	7,00,088	4,15,648	8,50,381
Electrical Items		12,48,223		12,20,036	
Less : Depreciation Reserve		4,05,346	8,42,877	2,67,926	952,110
			1,13,20,440		84,53,471
Investments	4		90,70,35,23,524		49,28,11,93,135
Current Assets					
Cash in hand			3,098		2,687
Bank Balance	5		9,39,70,070		23,8,72,935
Receivable	6		34,61,60,886		17,23,64,181
Deposit (Rent)			70,20,000		70,20,000
Advance Payment of Guarantee Claims			6,36,637		6,36,637
Amount Recoverable from Tax Authority	7		4,56,08,17,192		4,04,98,15,515
TOTAL			95,72,34,51,847		53,54,33,58,561
Notes forming parts of Accounts	9				

AS PER OUR REPORT OF EVEN DATE

THE ABOVE BALANCE SHEET TOGETHER WITH SCHEDULES
ANNEXED THERETO IS HEREBY AUTHENTICATED BY US.

For Jain Tripathi & Co.
Chartered Accountants
ICAI Firm Reg. No.103979W

(D.P. Tripathi) M.No.013593
Partner

Place: Mumbai
Date: September 20, 2018

On behalf of the Board of Trustees

Sd/-
(Mohammad Mustafa, I.A.S.)
Chairman

Sd/-
(Ram Mohan Mishra, I.A.S.)
Vice Chairman

Sd/-
(S.N. Singh)
Member Secretary

INCOME AND EXPENDITURE

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Income and Expenditure Account for the Year Ended March 31, 2018

Particulars	Schedules	(Amount in ₹)	
		Current Year FY 2017-18	Previous Year FY 2016-17
INCOME			
Interest on Investments		5,23,87,13,593	4,27,25,03,159
Income from Mutual Fund		13,30,91,902	3,74,62,211
Guarantee Fees		1,78,48,82,816	1,74,06,47,189
Annual Guarantee Fees		4,41,07,47,796	3,44,34,77,535
Annual Service Fees		32,98,36,745	84,02,02,916
Miscellaneous Income		27,22,563	8,97,598
Penal Interest Income		2,30,121	2,01,353
Recoveries by MLI's on Claim Paid Account		1,77,94,37,013	1,25,49,54,270
Depreciation written back		-	27,37,771
		13,67,96,62,549	11,59,30,84,002
EXPENDITURE			
Operating and Other Administrative Expenses	8	7,70,46,173	6,72,40,352
Provisions for Guarantee Claims		13,14,84,00,000	11,26,11,00,000
Interest on Service Tax		-	4,30,931
Bank Charges		1,652	15,519
Depreciation		22,00,348	15,53,787
		13,22,76,48,173	11,33,03,40,589
EXCESS OF INCOME OVER EXPENDITURE		45,20,14,376	26,27,43,413
Add / (Less) : Prior Period Items		(72,240)	-
Surplus Before Tax		45,19,42,136	26,27,43,413
Add:- Income Tax Provision W/Back		2,07,605	-
Less: Provisions for Income tax		-	11,4,20,000
Surplus After Tax		45,21,49,741	25,13,23,413
Less: Transfer to General Reserve		-	-
Surplus of Income Over Expenditure Carried to Corpus Fund		45,21,49,741	25,13,23,413
Notes forming parts of Accounts	9		

AS PER OUR REPORT OF EVEN DATE

THE ABOVE BALANCE SHEET TOGETHER WITH SCHEDULES
ANNEXED THERETO IS HEREBY AUTHENTICATED BY US.

For Jain Tripathi & Co.
Chartered Accountants
ICAI Firm Reg. No.103979W

(D.P. Tripathi) M.No.013593
Partner

Place: Mumbai
Date: September 20, 2018

Sd/-
(Ram Mohan Mishra, I.A.S.)
Vice Chairman

On behalf of the Board of Trustees

Sd/-
(Mohammad Mustafa, I.A.S.)
Chairman

Sd/-
(S.N. Singh)
Member Secretary

CASH FLOW STATEMENT

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Cash Flow Statement for the Year Ended March 31, 2018

Amount in (₹)

Particulars	31 March 2018		31 March 2017	
Cash flow from Operating Activities				
Excess of Income over Expenditure, after tax as per Income and Expenditure Statement		45,21,49,741		25,13,23,413
Add: Depreciation debited to Income & Expenditure A/c	22,00,348		15,53,787	
Add: Interest paid on service tax	-		4,30,931	
Add: Provision for income tax	-		1,14,20,000	
Add: Provision on guarantee claims debited to Income & Expenditure A/c	13,14,84,00,000		11,26,11,00,000	
Less: Interest on investments	(5,23,87,13,593)		(4,27,25,03,159)	
Less: Income from mutual fund	(13,30,91,902)		(3,74,62,211)	
Less: Depreciation written back to the Income and Expenditure A/c	-		(2,737,771)	
		7,77,87,94,853		6,96,18,01,577
Cash flow before changes in working capital		8,23,09,44,594		7,21,31,24,990
Changes in working capital				
(Increase)/decline in receivable	(17,37,96,705)		3,26,11,827	
(Increase)/decline in advance payment of guarantee claims	-		2,45,250	
(Increase)/decline in amount recoverable from tax authorities	(11,54,178)		-	
Increase/(decline) in current liabilities	1,25,85,10,767		18,61,653	
		10,835,59,884		3,47,18,730
Changes in cash flow after changes in working capital		9,31,45,04,478		72,478,43,720
Less:				
Claims paid during the year	(9,67,79,67,222)		(10,62,27,39,157)	
Advance tax paid	(50,98,47,499)		(42,72,36,502)	
		(10,18,78,14,721)		(11,04,99,75,659)
Net Cash Flow Generated / (Used) From Operating Activities (A)		(87,33,10,243)		(3,80,21,31,939)
Cash flow from Investing Activities				
Acquisition of fixed assets during the year	(50,67,317)		(56,48,757)	
Addition to investments during the year	(41,42,23,30,389)		(1,16,49,28,539)	
Net Cash Flow Used In Investing Activities (B)		(41,42,73,97,706)		(1,17,05,77,296)
Cash flow from Financing Activities				
Increase in corpus fund during the year	36,99,90,00,000		68,47,41,750	
Interest on service tax paid	-		(4,30,931)	
Interest income on Mutual Funds	13,30,91,902		3,74,62,211	
Interest income on investments	5,23,87,13,593		4,27,25,03,159	
Net Cash Flow Generated from Financing Activities (C)		42,370,805,495		4,99,42,76,189
Net Increase Cash Flow During The Year (A)+(B)+(C)		70,097,546		2,15,66,954
Opening balance of Cash and Cash Equivalents		23,875,622		23,08,668
Closing balance of Cash and Cash Equivalents		93,973,168		2,38,75,622
Notes:				
1 Cash and Cash Equivalents include cash and bank balance				
2 Figures in brackets indicate cash outflow				
3 The Cash and Cash Equivalents as at 31 March 2018 comprise		31 March 2018		31 March 2017
Cash		3,098		2,687
Bank balance		9,39,70,070		2,38,72,935
Total		9,39,73,168		2,38,75,622
4 Figures of the previous year have been regrouped, wherever necessary.				

For Jain Tripathi & Co.
Chartered Accountants
ICAI Firm Reg. No.103979W

(D.P. Tripathi) M.No.013593
Partner

Place: Mumbai
Date: September 20, 2018

On behalf of the Board of Trustees

Sd/-
(Mohammad Mustafa, I.A.S.)
Chairman

Sd/-
(Ram Mohan Mishra, I.A.S.)
Vice Chairman

Sd/-
(S.N. Singh)
Member Secretary

S C H E D U L E

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Schedules Forming Part of the Balance Sheet as on March 31, 2018

Particulars	As on 31.03.2018 (₹)	As on 31.03.2017 (₹)
Schedule : 1		
Corpus Fund		
Received from :		
Government of India	56,99,90,33,000	20,00,00,33,000
SIDBI	5,00,00,00,000	5,00,00,00,000
(Including the Corpus of ₹ 25,00,00,000/- & ₹ 7,77,50,000/- for RSF - 1 & 2 respectively)		
(a)	61,99,90,33,000	25,00,00,33,000
Surplus of Income over expenditure		
Balance B/F	9,68,85,71,114	9,43,72,47,701
Add: Surplus of Current year	45,21,49,741	25,13,23,413
(b)	10,14,07,20,855	9,68,85,71,114
(a + b)	72,13,97,53,855	34,68,86,04,114
Schedule : 2		
General Reserve		
Balance B/F	74,20,662	74,20,662
Add: Transfer from Income and Expenditure A/c	-	-
(a + b)	74,20,662	74,20,662
Schedule : 3		
Current Liabilities and Provisions		
Provision Towards Guarantee Claims (also see Note no 8 in Schedule 9)	2,14,54,9,48,313	17,98,45,15,536
Outstanding Liabilities Towards Expenses	86,56,129	51,39,666
Amount Reimbursable To SIDBI	23,87,452	24,18,524
Guarantee Claim Payable	61,32,907	54,61,344
TDS Payable	12,97,105	8,07,927
Professional Tax Payable	2,600	6,700
Guarantee Fees Refundable	13,49,260	13,36,043
Annual Service / Guarantee Fees Refundable	6,45,960	1,82,53,734
Advance Received Towards GF & ASF from D C (Handicraft & Handloom), GOI	25,22,133	47,87,350
Advance Received Towards Guarantee Fees	88,05,62,476	82,08,87,958
GST Tax/ Service Tax Payable	21,33,16,692	20,36,231
Receipts Pending Appropriation	-	11,03,808
GF Appropriation Account	9,28,332	1,66,601
ASF Appropriation Account	9,99,389	2,485
Interest Payable	-	4,09,878
Advance Received Annual Guarantee Renewal Fees	1,00,25,28,582	-
	23,57,62,77,330	18,84,73,33,785
Schedule : 4		
Investments		
1) Investment in Fixed Deposits with Banks		
i) Investment of D C (Handicraft & Handloom), GOI Advance	20,05,474	25,22,785
ii) Investment of Corpus & Other Funds	89,00,74,58,050	48,76,36,61,165
2) Investment In Mutual funds	1,69,40,60,000	51,50,09,185
[Market value of investments in Mutual Funds: ₹169,72,85,280]		
	90,70,35,23,524	49,28,11,93,135

S C H E D U L E

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Schedules Forming Part of the Balance Sheet as on March 31, 2018

Particulars	As on 31.03.2018 (₹)	As on 31.03.2017 (₹)
Schedule : 5		
Bank Balance		
Current Accounts with:		
IDBI Bank Ltd.,	9,33,74,785	1,46,86,061
IDBI Bank Ltd., - D C (Handicraft),GOI,	3,75,731	4,67,749
IDBI Bank Ltd., - D C (Handloom), GOI,	1,46,402	3,58,503
Corporation Bank	73,152	83,60,622
	9,39,70,070	2,38,72,935
Schedule : 6		
Receivables		
Prepaid Expenses	2,87,557	3,67,748
Guarantee Claim Receivable	17,76,760	17,77,269
Annual Service Fee Receivable	29,98,928	26,76,676
Annual Guarantee Fees Receivable	16,00,83,926	3,01,250
Guarantee Fee Receivable	2,15,20,187	5,111
Input Tax Credit /Cenvat Credit Receivable (Provision)	28,97,717	10,00,594
Service Tax Reversal	-	8,16,23,084
Service Tax (EC/SHCE)	31,36,145	31,36,145
Service Tax Recoverable	15,34,36,206	8,14,76,304
GST Recoverable	23,460	-
	3,461,60,886	17,23,64,181
Schedule : 7		
Amount Recoverable from Tax Authority		
Income Tax refundable 31/3/07	8,68,43,908	8,68,43,908
Income Tax refundable 31/3/08	3,99,29,054	3,99,29,054
Income Tax refundable 31/3/09	2,21,18,100	2,21,18,100
Income Tax refundable 31/3/13	23,72,09,453	23,72,09,453
Advance Tax, TDS Paid 31/3/10	1,52,88,27,407	1,52,88,27,407
Advance Tax, TDS Paid 31/3/11	51,48,14,555	51,48,14,555
Advance Tax, TDS Paid 31/3/13	2,19,876	2,19,876
Advance Tax, TDS Paid 31/3/14	1,43,95,52,963	1,43,95,52,963
Advance Tax, TDS Paid 31/3/15	43,95,61,396	43,95,61,396
TDS Paid 31/3/16	43,66,85,299	43,66,85,299
TDS Paid 31/3/17	41,69,70,680	42,72,36,502
TDS Paid 31/3/18	5,098,47,499	-
(a)	5,67,25,80,190	5,17,29,98,513
Less:		
Provision for Tax 31/03/10	1,11,17,62,998	1,11,17,62,998
Provision for Tax 31/03/17	-	1,14,20,000
(b)	1,11,17,62,998	1,12,31,82,998
Amount Recoverable from Tax Authority (a)-(b)=	4,56,08,17,192	4,04,98,15,515

S C H E D U L E

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Schedules Forming Part of Income & Expenditure Account as on March 31, 2018

Particulars	As on 31.03.2018 (₹)	As on 31.03.2017 (₹)
Schedule : 8 Operating and Other Administrative Expenses		
ACSIC Expenses	-	5,11,737
Advertisement & Publicity Expenses	-	52,044
Auditors' Remuneration	3,35,000	3,10,000
Conveyance Expenses	4,67,825	4,33,272
Courier/Postage Charges	66,590	83,962
Electricity Expenses	11,07,400	11,30,670
Insurance Charges	46,919	27,476
Internal Auditors Remuneration	2,85,000	2,85,000
IT service	1,26,34,473	95,46,053
Membership Fees	1,00,000	1,00,000
Miscellaneous Expenses	8,84,812	9,43,818
Premises Maintenance Expenses	1,71,456	6,03,839
Office Expenses	27,35,064	13,54,287
Office Rent	1,55,18,036	1,40,40,000
Personnel Cost & Expenses	3,80,04,631	3,51,41,826
Printing & Stationery	5,93,244	4,89,609
Advocate Fees	2,48,000	1,60,000
Professional Fee	27,43,333	8,98,167
Security Expenses	3,15,290	2,65,416
Telephone Expenses	2,50,430	2,50,891
Travelling Expenses	5,38,670	6,12,285
	7,70,46,173	6,72,40,352

S C H E D U L E

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) Grouping Forming Part of Income & Expenditure for the Year Ended March 31, 2018

Particulars	As on 31.03.2018 (₹)	As on 31.03.2017 (₹)
List 1: Personnel Expenses		
Salaries & Allowances to Employees (SIDBI)	1,61,14,660	1,45,59,972
Salaries & Allowances to Contract Staff	2,06,71,509	1,95,84,240
Coupon Expenses (Sodexo)	12,18,462	9,97,614
	3,80,04,631	3,51,41,826
List 2: Miscellaneous Expenses		
Interest Paid	1,948	54,470
Appeal Fees	1,000	3,450
Repair & Maintenance	82,344	1,34,880
Other Expenses	-	25,043
Staff Welfare	4,45,510	3,70,690
Swachh Bharat Cess	64,047	2,72,874
Miscellaneous Exp	2,89,963	82,411
	8,84,812	9,43,818
List 3: Printing & Stationery		
Printing Expenses	2,64,400	1,79,876
Stationery & Computer Consumables	3,28,844	3,09,733
	5,93,244	4,89,609
List 4: Miscellaneous Income		
Miscellaneous Receipts	2,472	6,67,654
Miscellaneous Income	24,31,867	-
Tender Fees	5,934	13,500
Penalty for delay in Service (Contractual)	2,47,790	2,16,444
Profit on Sale of Fixed Asset	34,500	-
	27,22,563	8,97,598
List 5: Outstanding Liabilities Towards Expenses		
K.S. Sangvhi & Co.	68,625	3,25,500
ESDS	34,662	-
K.A. Pandit	31,500	31,500
Khandelwal Jain & Co.	9,78,209	3,67,500
Jain Tripathi & Co.	3,01,500	-
Path Infotech	23,84,063	18,86,793
Reliance Communications Ltd	4,74,696	4,75,000
The Professional Couriers	4,839	11,186
Orient Technologies	1,99,707	-
Salary to Contract Staff Payable	5,98,152	-
M.P. Chitale	-	6,55,201
T & M Services Consulting Pvt Ltd	7,06,109	8,94,008
CNK & Associates LLP	-	1,68,000
Outstanding Liabilities	2,61,717	3,15,528
Kochar & Associates	-	4,200
P. Bhatia & Co.	-	5,250
IIDL Realtors Pvt Ltd	14,53,140	-
Comparex India Pvt. Ltd.	8,01,514	-
Advertising and Activations	3,57,696	-
	86,56,129	51,39,666

Schedule forming part of the Balance Sheet and Income and Expenditure Account

Schedule: 9: - NOTES ON ACCOUNTS:

1. Significant Accounting Policies

a) Accounting Conventions

The accompanying financial statements have been prepared keeping in view the generally accepted accounting principles including historical cost accounting.

b) Recognition of Income and Expenditure

The Trust follows mercantile basis of accounting, unless otherwise mentioned.

The income recognition of major sources of income of the Trust are as under:

Guarantee Fee

Income from Guarantee Fee is recognized when the payment from the respective Member Lending Institutions is received and credited in the Bank Account.

Interest Income on Fixed Deposits

Interest income on Fixed Deposits is recognized on accrual basis.

Recoveries from MLIs on claim paid

Income from recoveries made from Member Lending Institutions is recognized when the amount is recovered.

Income from Mutual Fund

The cost of the mutual fund, for the purpose of calculating capital gains at the time of redemption of units of the mutual fund is computed on weighted average basis. The gains are recognized on redemption.

c) Fixed Assets

Fixed Assets have been recognized in the financial statements at cost. Cost includes the cost of purchase, freight, transportation and all other costs incurred to bring the asset to its present location and condition.

Depreciation is charged on the Fixed Assets as per the StraightLineMethod based on the basis of estimated useful lives as prescribed under the Companies Act, 2013.

d) Investments

Investments of the Trust comprise investments in Fixed Deposits with Banks/Financial Institutions and Investments in Mutual Funds.

Investments in mutual funds are stated at weighted average cost less impairment, if any, during the year or market value, whichever is lower. Investments in Fixed Deposits have been stated at cost along with accrued interest thereon. Investments relating to fund received from the offices of DC (Handloom) and DC (Handicraft), Government of India have been separately stated in the Balance Sheet.

e) Prior Period Adjustment

Expenses and income pertaining to earlier/previous years are accounted as prior period items.

f) Retirement Benefits

Retirement benefits are provided by SIDBI for its employees on deputation to the Trust and charged to revenue account annually on reimbursement basis.

g) Deferred Tax:

Deferred tax has not been recognized since there is no reasonable certainty that future taxable income will be available against which deferred tax assets can be realized or deferred tax liabilities can be settled.

- Cumulatively up to March 31, 2018, the Trust had received 1,95,160 (P.Y. 1,56,447) claim applications from 72 Member Lending Institutions. The Trust had settled 1,72,003 (P.Y. 1,36,408) eligible claims for ₹4,439.55 Crore (P.Y. ₹3,529 Crore) mainly towards first instalment. 212 applications were withdrawn by MLIs. Additional information of security details / subsidy amount, etc. called for in respect of few claims had not been received and therefore claims were temporarily closed. As on March 31, 2018, 2,621 (P.Y. 2,546) applications were pending for settlement (which have been disposed subsequently).

3.

(₹ in crores)

Particulars	As on 31-03-18	As on 31-03-17
Guarantee approval	1,46,828	1,28,787
Guarantee issued	1,35,587	1,17,993
Guarantee sanctioned, pending execution	11,241	10,794
Outstanding Guarantee	70,310	67,762
Overall Liability of CGTMSE out of O/s Guarantee	50,660	49,567
Liability of CGTMSE towards first claim Installment	37,995	37,175

Over and above the provision for claims held, the Trust is contingently liable for guarantee given/sanctioned in the event of non-performance of the loans by MLIs to MSE for whose protection such guarantee is given/ sanctioned.

- The Trust is availing facility of staff and I T services from SIDBI. As per the Memorandum of Understanding entered into between SIDBI and the Trust on October 04, 2001, the Trust paid service charge @ 20% on the expenses incurred by SIDBI on behalf of the Trust towards administrative expenses directly attributable to the functioning of the Trust till July 2009. However, with mutual decision, the same was withdrawn w.e.f. August 2009.
- The Trust pays 75% of the settled claim amount in the first instance, leaving balance amount to be paid after the conclusion of recovery proceedings. In 2,297 cases (P.Y. 786 cases), subsequent payment of 25% has been made. However, in other cases, the MLIs are yet to report status of conclusion of recovery proceedings which makes them eligible for the receipt of the balance claim.
- Auditor's Remuneration ₹3,35,000/- (P.Y. ₹3,10,000/-). The fees are exclusive of taxes

Amount in (₹)

Particulars	Current Year	Previous Year
Audit Fees	2,75,000	2,50,000
Tax Audit Fees	60,000	60,000
Total	3,35,000	3,10,000

7. Taxation

7.1 Direct Taxation

The Trust was notified u/s. 10(23EB) of the Income Tax Act, 1961 ("the Act") by Finance Act 2002 w.e.f. 01.04.2002 and accordingly the income of the Trust was exempt u/s. 10(23EB) of the Act for a period of five years commencing from Assessment Year (A.Y.) 2002-03 to A.Y. 2006-07.

The Trust was registered u/s 12A of the Income Tax Act 1961 and accordingly it had claimed exemption u/s 11 of the Act for A.Y. 2007-08 and A.Y. 2008-09. While claiming exemption for relevant assessment years, the Trust had accumulated 85% of its income to be spent on the objects of the Trust, in terms of provisions of Section 11(2) of the Act.

The Finance Act, 2008 amended section 2(15) with effect from 1-4-2008 i.e. A.Y. 2009-2010. Accordingly, the Trust had not claimed the benefit of section 11 from A.Y. 2009-2010 onwards. However, the trust has made claim of deduction of 15% u/s 11(1)(a) of the Act during the assessment proceedings.

The Director of Income Tax (Exemptions) - [DIT (E)] had vide order dated 07.12.2011 held that the activities carried out by the assessee trust are in the nature of trade, commerce or business and referring to the amended provisions of section 2(15) of the Act, cancelled the registration granted u/s 12A to the Trust with effect from A.Y 2009-10. The Trust had preferred an appeal against this order before the Income Tax Appellant Tribunal (ITAT) which got decided in favour of the Trust vide order dated 28.05.2014 and registration of the Trust u/s 12A of IT Act was restored. Against the said order of ITAT, the department had filed a petition before the High Court of Judicature at Bombay which was dismissed vide order dated 02.08.2017. Thus, the Registration of the trust u/s 12A/12AA is continuing.

While concluding the assessment proceedings for the A.Y. 2009-10, the assessing officer (A.O.) passed the order u/s 143(3) wherein he disallowed the claim of deduction of 15% u/s 11(1)(a) of the Act made during the assessment proceedings. Against the said order, the Trust has filed an appeal before CIT(A), which has been heard on 24.01.2018 and the order is awaited. No demand is outstanding for this year.

While concluding the assessment proceedings for the A.Y 2010-11, the assessing officer had made an addition of ₹94,38,84,008/- and ₹154,61,77,037/-, being the amount accumulated under section 11(2) during AY 2007-08 and AY 2008-09 respectively and also made an addition of ₹166,41,00,000/- being contributions received towards Corpus from the Settlers of the Trust namely, Ministry of MSME, Government of India (GOI) and Small Industries Development Bank of India (SIDBI) during the year on the reasoning that as the registration u/s.12A of the Trust was withdrawn by the DIT(E), Mumbai w.e.f. A.Y.2009-10, the Trust is not eligible for any benefit of section 11 of the Act. Against the said additions, the Trust had filed an appeal before Commissioner of Income Tax (Appeals) which was dismissed vide order dated 28.07.2014. The Hon'ble ITAT vide order dated 20.01.2017 has allowed the claim of the trust for exemption under section 11 & 12 of the Act. The Hon'ble ITAT has also held that as the claim of assessee for benefits of sections 11 & 12 of the Act is upheld, the assessee also succeeds on the issue of addition of contribution made by settlers towards the corpus. Against the said ITAT's Order, the department has filed the petition before the High Court of Judicature at Bombay. Subsequently, the order giving effect to the order of the ITAT dated 25.07.2017 has been received on 09.08.2017. The trust has received refund of ₹16,73,47,440/- vide Demand Draft dated 11.04.2018 after adjustment of certain demands for other years. The Trust has filed letter dated 12.09.2017 for providing the working of the amount of refund and issue of refund alongwith interest u/s.244A of the Act and is being followed up.

While concluding the assessment proceedings for the A.Y. 2011-12, the assessing officer in the order passed u/s 143(3) of the Act made an addition of ₹250,00,00,000/- being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act and thereby raising a demand of ₹102,96,29,110/-. Against the said addition, the Trust had filed an appeal before CIT(A) which was dismissed following the order of CIT(A) for A.Y 2010-11. Out of the demand raised of ₹102,96,29,110/-, the trust had paid ₹51,48,14,555/- in installments upto 31.03.2015. Aggrieved by the order of CIT (A), trust has preferred an appeal before the Hon'ble ITAT. The Hon'ble ITAT vide order dated 26.02.2018 allowed the appeal of the assessee trust by following the order of its Co-ordinate 'C' Bench in ITA 6282/Mum/2014 for A.Y.2010-11 in assessee's own case. The Trust vide letter dated 01.03.2018 has requested the AO to pass the order giving effect to the order of the ITAT dated 26.02.2018 and issue the refund of the taxes paid alongwith interest which is pending.

While concluding the assessment proceedings for the A.Y. 2012-13, the assessing officer made an addition of ₹2,22,50,000/- being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act and thereby raising a demand of ₹10,40,35,270/- which was rectified to ₹ 69,44,000/- vide order dated 13.10.2015 passed u/s 154 of the Act. Against the said addition, the Trust has filed an appeal before CIT(A) which has been heard on 24.01.2018 and the order is awaited.

While concluding the assessment proceedings for the A.Y. 2013-14, the assessing officer has made an addition of ₹42,77,50,000 being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961 and determining refund of ₹10,48,59,600/- which has been adjusted against the demand due for A.Y. 2011-12. Against the said addition, the Trust has filed an appeal before CIT(A) which has been heard on 24.01.2018 and the order is awaited.

While concluding the assessment proceedings for the A.Y. 2014-15, the assessing officer has made an addition of ₹93,73,75,000/- being the contribution from settlers to the corpus of the trust by treating the same as voluntary contribution u/s 2(24)(iia) of the Act and determining refund of ₹52,17,58,560/-. Further, the Id.AO has considered returned income at ₹ NIL as against the returned loss of ₹ 55,02,16,378/-. Against the said order, the Trust had filed an appeal before CIT(A). The Hon'ble CIT(A) vide order dated 27.12.2017 has disposed off the appeal filed by the assessee trust and allowed the appeal of the assessee trust. The Trust has filed letter on 25.01.2018 for passing the order giving effect to the CIT(A)'s Order. The Trust has received refund of ₹1,22,87,44,100/- on 24.04.2018.

While concluding the assessment proceedings for the A.Y. 2015-16, the assessing officer has made an addition of ₹93,73,75,000 being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961. Further, the Id.AO has considered returned income at ₹ NIL as against the returned loss of ₹179,15,20,936/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending disposal.

7.2 Indirect Taxation

- a) The Directorate General of Central Excise Intelligence, Chennai vide show cause notice dated 14.10.2014 had asked the trust to show cause as to why Guarantee Fee and Annual Service Fees received by the trust should not be considered as "Support service for Business or Commerce" under Section 65(104c) read with Section 65(105)(zzzq) of Finance Act, 1994 and demand of ₹ 79,68,11,936/- plus interest u/s. 75 and penalty u/s. 76, 77 and 78 should not be raised for the period from FY 2009-10 till June 30, 2012. In response to the said show cause notice, the trust has made its submission on 17.12.2014 and attended personal hearing on 17.04.2015. No order in this regard has been received till date.
- b) The assessee trust was selected for statutory audit under Rule 5A of Service Tax Rules, 1994 for the period from F.Y. 2010-11 to 2014-15. On the basis of the observations of audit, Assistant Commissioner of Service Tax, Mumbai has issued show cause notice dated 18.04.2016 asking the trust to explain as to why-
 1. The activity of sharing of staff with M/s. SIDBI should not be classified under "Business Support Service" and Service Tax of ₹ 52,156/- along with Interest u/s. 75 should not be demanded and recovered;
 2. Service Tax amounting ₹ 1,74,760/- along with Interest u/s. 75 on the unutilized portion of advances received from the Development Commissioner should not be demanded and recovered;
 3. Interest u/s. 75 of Finance Act, 1994 on delayed payment of Service Tax on adjusted portion of advances received from the Development Commissioner should not be demanded and recovered;

4. Penalty u/s. 76 for failure to pay service tax within prescribed time and penalty u/s. 78 for suppressing and mis-declaring the taxable activities and true nature and value of taxable services, with intend to evade payment of Service Tax should not be demanded and recovered.

The last reply in the matter was filed by the assessee trust on 23.08.2016. No order / communication with regard to the same has been received till date. Subsequently the Dy. Commissioner of Service tax vide letter dated 24.03.2017 sought clarification as to whether in relation to the points mentioned hereinabove under sub-clause a) and b) of Clause B), the same practice continued post 2015. The reply in response thereto has also been filed by Trust vide letter dated 18.04.2017.

c) The refund application dated 26.05.2015 filed by the Trust before the Assistant Commissioner of Service Tax for claiming refund of Service Tax paid on services provided to MLI's located in Jammu and Kashmir amounting to ₹1,07,71,826/- was rejected vide order dated 26.02.2016. The Trust has preferred an appeal against the said order on 29.04.2016, Notice for hearing of appeal was received on 04.04.2018. And the same was heard on 17.04.2018, and appellate order is yet to be received.

8. The Trust has obtained Actuarial Valuation Report of Expected Payout due to Default in Loans.

Accordingly, the additional provision suggested by Actuary in his report is ₹1,314.84 crore as on 31/03/2018. Details of provision for such claims are as under

Amount in (₹)

Particulars	Current Year	Previous Year
Opening balance as on 1st April	17,98,45,15,536	17,34,61,54,693
Less: Claim paid during the year	9,67,79,67,223	10,62,27,39,157
Add: Provision made during the year	13,14,84,00,000	11,26,11,00,000
Closing Balance as on 31st March	2,145,49,48,313	17,98,45,15,536

The guarantee is assumed upon the amount of guarantee fee being realized in the bank by the Trust.

9. Particulars of expenditure in Foreign Currency (on Actual Basis)

Amount in (₹)

Particulars	Current Year	Previous Year
Participation Fees	-	67,257
Travelling & Others	-	3,21,989
Membership Fees	-	67,257

10. Figures of previous year have been regrouped, reclassified and rearranged where ever necessary.

For Jain Tripathi & Co.
Chartered Accountants
(ICAI Firm Reg. No. 103979W)

(D.P. Tripathi, M.No.013593)
Partner

Place: Mumbai
Date: 20/09/2018

Sd/-
(Ram Mohan Mishra, I.A.S.)
Vice-Chairman

On behalf of the Board of Trustees

Sd/-
(Mohammad Mustafa, I.A.S.)
Chairman

Sd/-
(S.N. Singh)
Member Secretary

NOTES



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