

Credit Guarantee Fund Trust for Small Industries

Registered Office : 14th Floor, Nariman Bhavan,
227, Vinay K. Shah Marg, Nariman Point,
Mumbai – 400 021

1ST ANNUAL REPORT 2000-2001

CONTENTS

<input type="checkbox"/> Letter of Transmittal	iv
<input type="checkbox"/> Board of Trustees	v
<input type="checkbox"/> Chairman's Message	vi
<input type="checkbox"/> National Advisory Committee	ix
<input type="checkbox"/> Member Lending Institutions	x
<input type="checkbox"/> Report on working of CGTSl	1
<input type="checkbox"/> Auditors' Report	8
<input type="checkbox"/> Balance Sheet & Accounts	9



Letter of Transmittal

Credit Guarantee Fund Trust for Small Industries,
14th Floor, Nariman Bhavan,
227, Vinay K. Shah Marg,
Nariman Point,
Mumbai – 400 021

July 25, 2001
Shravan 5, 1923 (Saka)

The Additional Secy. & Development Commissioner (SSI),
Govt. of India,
Ministry of SSI & ARI,
Office of the Additional Secy. &
Development Commissioner (SSI),
New Delhi

The Chairman & Managing Director,
Small Industries Development Bank of India,
Head Office,
Lucknow – 226 001

Dear Sirs,

In terms 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 :

1. A copy of audited accounts of the Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2001, together with Auditors' Report ;
- and
2. A copy of the report, giving the working of Credit Guarantee Fund Trust for Small Industries for the period ended March 31, 2001.

Yours faithfully,

Sd/-

(N. Venkatasubramanyan)
Chief Executive Officer

Board of Trustees**(as on June 30, 2001)**

Shri P. B. Nimbalkar Chairman & Managing Director Small Industries Development Bank of India	Chairman (ex-officio)
Shri S. K. Tuteja Additional Secretary and Development Commissioner (SSI) Ministry of SSI and ARI, Government of India	Vice-Chairman (ex-officio)
Shri P. B. Mathur Executive Director Reserve Bank of India	Member (ex-officio)
Shri N. Venkatasubramanyan Chief Executive Officer Credit Guarantee Fund Trust for Small Industries	Member Secretary

Chairman's Message



The SSI Sector, which can take pride in nurturing of entrepreneurial talent and in providing second largest employment in the country, has emerged as a dynamic and vibrant partner in the process of economic development of India. This has been possible owing to support received by the Sector from the policy makers through appropriate policy prescriptions and programmes so as to meet the emerging needs of the SSIs.

Credit is lifeline not only for start-ups but also for these tiny units to graduate into small and medium enterprises. Recognizing this, a treatment of 'priority sector' has been accorded to SSIs by the financial sector. We have evolved a well-developed network of

institutions in the country for the purpose of credit dispensation to the SSI sector. With a view to encouraging availability of finance to small borrowers, RBI first introduced Credit Guarantee Scheme in late 1960s. The Deposit Insurance and Credit Guarantee Corporation (DICGC), has been operating the Credit Guarantee Schemes, including a scheme launched in 1981 for extending guarantee support in respect of credit to SSIs. DICGC scheme did help in augmenting the credit flow to the targeted sector, but the scheme did not find much acceptance by the lending institutions in late nineties. Nevertheless, Credit Guarantee Schemes, substantially funded by the Government with liberal budgetary support, exist in various countries in one form or the other. The most notable credit guarantee scheme, to my mind, is that of Small Business Administration (SBA) of the United States of America.

When we look at credit flow to SSIs, we find that though the outstanding credit from banks has increased substantially in absolute terms in the last decade, it continues to be far below the desired level. One of the main reasons of poor flow of credit is the high-risk perception of the banks for lending to small borrowers, particularly the first generation entrepreneurs, resulting in their insistence on collateral security, which the small borrowers, with limited means, find difficult to provide. Looking to the problems faced by the SSI entrepreneurs in accessing formal credit from the banking system, the high level committee on credit to SSIs (Kapur Committee) in its report submitted in June, 1998 had, inter-alia, recommended introduction of more objective and suitable guarantee scheme to be

operated by a new Corporation for enabling SSIs to access collateral-free credit. Hon'ble Union Finance Minister, in his budget speech for the year 1999-2000, stated **"Inability to provide adequate security to banks and the low recovery are often cited as a major constraint in flow of investment credit to SSI units. The problem is more acute for export oriented and tiny sector enterprises. To alleviate this problem, a new credit insurance scheme will be launched."** As a follow-up measure, Department of SSI & ARI (now, Ministry of SSI & ARI), GOI, in consultation with Small Industries Development Bank of India (SIDBI), formulated a new Credit Guarantee Fund Scheme for Small Industries (CGFSI), for initially covering loans up to Rs.10 lakh provided by eligible institutions viz. Scheduled Commercial Banks and select Regional Rural Banks. The Hon'ble Prime Minister formally launched the Scheme on August 30, 2000 when the loan ceiling eligible under CGFSI was enhanced to Rs.25 lakh per borrower.

Credit Guarantee Fund Trust for Small Industries (CGTSI), set up by GOI and SIDBI, is operating the CGFSI. The GOI and SIDBI, Settlers to the Trust, have provided an initial corpus of Rs.125 crore in the ratio of 4:1. Depending on the needs, the Settlers have committed to enhance the corpus fund of CGTSI to Rs.2500 crore in the coming years.

CGTSI guarantees up to 75% of the credit risk relating to eligible advances (both term loan and working capital) up to Rs.25 lakh per borrower, extended by eligible institutions to new and existing industrial units in the SSI sector, including units in Information Technology and Software Industry. The eligible institutions are all Scheduled Commercial Banks, Regional Rural Banks, which fall in the category of 'sustainable viability' or such of those institutions as may be prescribed by GOI. NSIC and NEDFi have been included as eligible institutions. The eligible institutions are required to become Member Lending Institutions (MLIs) of CGTSI by entering into an agreement for availing of guarantee facility. CGTSI has been conceived as a fully computerized B2B model for interacting with its MLIs. As on June 30, 2001, there are 21 MLIs comprising 16 Public Sector Banks, 2 Private Sector Banks, 1 RRB, NSIC and NEDFi. A beginning has been made; and I am sure, over a period of time, more eligible institutions would become MLIs of the Trust and start viewing the Credit Guarantee Scheme as an effective financial instrument to increasingly enhance flow of collateral-free credit to deserving SSIs. This calls for greater awareness of the Guarantee Scheme not only amongst SSIs, but also amongst the field level staff of MLIs.

While the guarantee scheme would help MLIs to hedge the credit risk in substituting the collateral security, the issue of containing or minimizing the default rate needs to be addressed. The Trust does not reappraise the proposals approved by MLIs, who are better placed to evaluate the proposals received from the entrepreneurs. MLIs, to a great extent, can arrest the advances turning into non-performing assets



with close monitoring and improved risk-management technique. Pro-active Industry Associations can play an effective role in building mutual trust between their member-units and lending institutions, by sponsoring deserving projects of their member-units to banks for financial assistance and guaranteeing proper conduct of such accounts. In this backdrop, Italy has been successful in enhancing credit to SMEs and containing default rate to, as low as, 0.5 per cent through the Mutual Credit Guarantee Scheme (MCGS). Under the MCGS, an Industry Association creates a corpus, through contributions from its member industrial units. The corpus fund is leveraged by the Industry Association to extend credit guarantee in respect of projects evaluated and recommended by its technical committee, for financial assistance, to a designated bank. CGTSI has been entrusted with the task of initiating action plan for implementation of MCGS in the country on pilot basis. Some of the Industry Associations have evinced interest in experimenting with the concept. CGTSI would be willing to provide counter guarantee or co-guarantee to such Associations under MCGS. Journey has just begun in this direction; and I am sure, this mechanism would offer a win-win situation for the participating entities.

A handwritten signature in black ink, appearing to read 'P. B. Nimbalkar', written over a horizontal line.

P. B. NIMBALKAR

National Advisory Committee

1. **Shri P. B. Nimbalkar** – *Chairman*
CMD, SIDBI
2. **Shri S. K. Tuteja**
AS & DC (SSI), Ministry of SSI & ARI, GoI
3. **Shri S. S. Kohli**
Chairman, Indian Banks' Association
4. **Shri G. K. Saxena**
Dy. Managing Director, SIDBI
5. **Shri Varughese John**
General Manager (RPCD), RBI
6. **Shri M. A. Krishnan**
Chief General Manager (Development Banking), State Bank of India
7. **Shri K. P. Lazar**
General Manager (Credit), Union Bank of India
8. **Shri V. Gomatinayagam**
General Manager, Indian Overseas Bank
9. **Dr. S. S. Aggarwal**
President, Laghu Udyog Bharati
10. **Shri J. M. Pawar**
President, Federation of Association of Small Industries of India
11. **Shri A. N. Burji**
President, Karnataka Small Scale Industries Association
12. **Dr. J. C. Sandesara**
Economist
13. **Shri M. L. Bagri**
Advisor (SSI)
14. **Smt. Mala Vazirani**
SSI Entrepreneur
15. **Shri V. P. Chopra**
SSI Entrepreneur
16. **Shri N. Venkatasubramanyan**
Chief Executive Officer, CGTSI



Member Lending Institutions

(as on June 30, 2001)

SCHEDULED COMMERCIAL BANKS

1. Allahabad Bank
2. Andhra Bank
3. Bank of Baroda
4. Bank of India
5. Bank of Maharashtra
6. Canara Bank
7. Central Bank of India
8. Corporation Bank
9. Dena Bank
10. HDFC Bank Ltd
11. IDBI Bank Ltd
12. Indian Overseas Bank
13. Oriental Bank of Commerce
14. Punjab National Bank
15. Punjab & Sind Bank
16. Syndicate bank
17. Union Bank of India
18. Vijaya Bank

REGIONAL RURAL BANK

1. Sri Saraswathi Grameena Bank, Adilabad, AP

OTHER INSTITUTIONS

1. National Small Industries Corporation Ltd.
2. North Eastern Development Finance Corporation Ltd.

Report on the working of the Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2001

Launch of Credit Guarantee Fund Scheme for Small Industries

- 1.1 The Small Industries sector, which has a wide spectrum of industries in small, tiny and cottage segments, plays pivotal role in the development of Indian economy. Though the contribution from SSIs has been significant to the overall economic development of the country, the sector has been beset with certain handicaps. One of the main problems is non-availability of adequate credit from the banking system without collateral security or third party guarantee. To resolve the problem, the Ministry of SSI & ARI, GOI, in consultation with Small Industries Development Bank of India (SIDBI), formulated the Credit Guarantee Fund Scheme for Small Industries (CGFSI). GOI and SIDBI who have executed an Indenture of Trust, set up Credit Guarantee Fund Trust for Small Industries (CGTSI) on July 27, 2000 to operationalise the Scheme. Hon'ble Prime Minister, Shri Atal Bihari Vajpayee formally launched the Scheme on August 30, 2000.
- 1.2 The objective of the Credit Guarantee Scheme is to guarantee the loans and advances up to Rs.25 lakh so as to help the new and existing industrial units in the SSI sector, including units in Information Technology and Software Industry, in getting collateral/third-party guarantee free credit from eligible lending institutions viz. Scheduled Commercial Banks, select Regional Rural Banks (RRBs) or such of those institutions as may be prescribed by GOI. Eligible RRBs are those, which fall in the category of 'sustainable viability'. The scope of the Scheme with regard to eligible activities, eligible institutions and eligible credit ceiling may be modified depending on the needs.
- 1.3 The guarantee cover under CGFSI is available for credit facilities extended by eligible lending institutions, in respect of a single eligible borrower, not exceeding Rs.25 lakh by way of term loan and / or working capital facilities after entering into an agreement with the Trust. CGTSI provides guarantee cover up to 75% of the amount of the credit facility extended by the lending institution to an eligible borrower, subject to a maximum guarantee cover of Rs.18.75 lakh per borrower.

Corpus Fund of CGTSI

2. During FY2000-01, GOI and SIDBI contributed Rs.125 crore in the ratio of 4:1 towards the Corpus Fund of CGTSI. For FY2001-02, GOI has made a budgetary allocation of Rs.60 crore towards the corpus fund of CGTSI. Keeping in view the ratio of 4:1, SIDBI is likely to contribute its share of Rs.15 crore in 2001-02. Thus, the corpus fund of CGTSI would get enhanced from Rs.125 crore to Rs. 200 crore in FY2001-02. CGTSI will have a leverage of guaranteeing collateral-free credit nearly 5 times its corpus fund provided the default rate of its guaranteed loans remains within the estimated rate of around 20 per cent. The Settlers have agreed to enhance the corpus fund of CGTSI up to Rs.2500 crore, in the coming years, depending on the needs.

B2B On line transactions

3. Transparency and real-time service to the customers are the two sides of technology based operating environment. Towards this end, CGTSI operations are crafted in tune with the emerging trend. CGTSI has taken steps to set up a fully integrated on-line system that can process variety of transactions in large volumes and cater to customer information more efficiently. The Phase I of the B2B model software developed



by Satyam Computers Services Ltd., has since been implemented. Phase II of the software development will be completed in FY 2001-02.

Awareness programmes

4. To create awareness among the eligible lending institutions and the eligible borrowers about the new guarantee scheme, CGTSI has been organising awareness programmes as also participating in the seminars at various centers. Interactive seminars/ workshops-cum-training programmes were conducted by CGTSI periodically at various centres for the benefit of operating staff of the MLIs. The Training programmes were conducted for the staff of Andhra Bank, Bank of Baroda, Dena Bank, Indian Overseas Bank, Punjab National Bank, Punjab & Sind Bank, Union Bank of India and National Small Industries Corporation Ltd. (NSIC). Such training is imparted by CGTSI as an ongoing programme. Having regard to the wide network of branches and the need to disseminate information to the ground level staff at these branches in a cost effective manner, initiative has been taken to develop CD-ROM for computer based training programme. As a natural corollary to the B2B base of operations of CGTSI, awareness is also being created by providing hyperlink to the website of CGTSI www.creditguarantee.org.in at the websites of SIDBI, Ministry of SSI & ARI, CII and WASME. The Trust has requested the convenors of all State Level Bankers Committee (SLBC) Meetings to include an agenda on credit guarantee scheme. Further, CGTSI has been participating in SLBC meetings either through its own staff or with the help staff of SIDBI at various Centres.

Member Lending Institutions

- 5.1 Since October 2000, eligible institutions started becoming Member Lending Institutions (MLIs) of CGTSI. As at the end of March 31, 2001, 15 Public Sector Banks and 2 Private Sector Banks became MLIs of CGTSI. The Public Sector Banks are Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Overseas Bank, Punjab National Bank, Punjab & Sind Bank, Oriental Bank of Commerce, Union Bank of India and Vijaya Bank. HDFC Bank and IDBI Bank are the two private sector banks. Sri Saraswathi Grammena Bank, Adilabad is the Regional Rural Bank, which has become MLI of the Trust. As prescribed by GOI, NSIC has been made an eligible institution in FY 2000-01.
- 5.2 As per the Scheme, the eligible loans sanctioned by MLIs on or after June 01, 2000 can be covered under CGFSI. One of the conditions for extension of guarantee cover is that the eligible proposals must be submitted to CGTSI within 90 days from the date of sanction. Since many of the Scheduled Commercial Banks have become MLIs in the last quarter of FY2001, the Board of Trustees approved extension of time up to June 30, 2001 for submission of proposals sanctioned by MLIs on or after June 01, 2000.

Performance

- 6.1 MLIs started applying for guarantee cover since January 2001. By March 31, 2001, 1226 applications were received from 9 MLIs of which 951 applications were found eligible under the Scheme. The total project outlay of these projects amounted to Rs.885 lakh and the credit extended by the MLIs in respect of these projects was to the tune of Rs.606 lakh meeting 68 per cent of the project outlay. The balance 32 per cent of the project outlay was raised through promoter contribution and equity type of assistance or subsidy under incentive schemes of GOI.
- 6.2 Of the credit of Rs.606 lakh approved under the guarantee scheme, Rs.486 lakh was extended in the form of term credit and Rs.120 lakh by way of working capital, accounting for 80 per cent and 20 per cent of the total credit extended by the MLIs, respectively.

- 6.3 Of the 951 projects approved under the Credit Guarantee Scheme, 907 projects with loan amount of Rs.461 lakh pertained to the category having credit component below Rs.1 lakh. Thus, 95 per cent by number of units and 73 per cent by way of amount of loan belonged to credit extended for less than Rs.1 lakh. A detailed slab-wise break-up is given in **Annexure I**
- 6.4 Projects assisted under the guarantee scheme are coming up in 24 states. The major beneficiaries are the states of Uttar Pradesh, Tamil Nadu and Madhya Pradesh attracting credit assistance of Rs.155 lakh (25%), Rs.128 lakh (21%) and Rs.78 lakh (13%). State-wise credit extended and approved under the Scheme is given in **Annexure II**.
- 6.5 Of the projects approved for guarantee cover during the year under review, the major credit flow was towards diversified industry sectors accounting for 523 projects getting credit support of Rs.287 lakh and Food Products sector accounting for 115 projects with credit assistance of Rs.80 lakh. Information Technology sector attracted credit assistance of Rs.14 lakh under 12 projects. The other major sectors, which were covered under the scheme, were wood furniture, textile products, metal products, etc. Detailed break-up of assistance under various industry sectors is given in **Annexure III**.
- 6.6 The 951 projects approved under the Credit Guarantee Scheme are expected to generate employment for 2000 persons. These projects are expected to generate production worth Rs.3,330 lakh and exports worth Rs.66 lakh.
- 6.7 Under the Scheme, assistance is to be extended at an interest rate not exceeding 3 per cent over the Prime Lending Rate (PLR) of the Member Lending Institution. Further, the lending institutions should follow the prescription of the RBI while levying interest on their advances to the borrowers. RBI has directed the banks to lend at PLR in respect of loans below Rs.2 lakh. Of the 951 projects approved under the Credit Guarantee Scheme till March 31, 2001, 71% of the projects got assistance at PLR ranging from 11.5 – 13 per cent.

Development of Mutual Credit Guarantee concept

- 7.1 Government of India, in the Ministry of SSI & ARI, entered into a Memorandum of Understanding with the Italian Government, in the Ministry of Industry, Commerce and Handicraft, on October 17, 2000, for promotion of Mutual Credit Guarantee Scheme (MCGS) and institutional capacity building for the development of small and medium sized enterprises in India. In this regard, an Indo-Italian Joint Working Group has been constituted to give effect to the said MOU. CGTSI has been entrusted with the task of initiating action plan for pilot scale implementation of MCGS in the country.
- 7.2 A team, comprising two officials of CGTSI visited Italy during March 05 – 10, 2001 and studied the Italian Model of Mutual Credit Guarantee Scheme. Under MCGS, an Industry Association creates a corpus fund contributed by its member-units. The corpus fund is leveraged by the Industry Association to extend credit guarantee to the lending banks in respect of loans extended by them to the member-units of the Association. CGTSI could extend co-guarantee / counter-guarantee to such Industry Associations as and when they form mutual guarantee funds. While, independent evaluation of proposals by Technical Committees of Industry Associations would help improve quality of proposals being supported by the banks, the peer-level pressure would ensure proper conduct of the accounts by the promoters of member-units of the Association. Thus, MCGS is expected to improve the quality of credit flow to SSIs.

Auditors

8. The accounts of the Trust are required to be audited every year by a Chartered Accountant or a firm of Chartered Accountants who will be appointed by the Board of Trustees on the recommendation of Comptroller



and Auditor General of India. Further, the audited accounts of the Trust shall be adopted at a meeting of the Board of Trustees called for the purpose and a copy thereof together with auditor's report shall be furnished to each Settlor separately within a period of one month of such adoption. As recommended by the Comptroller and Auditor General of India, the Board appointed Messrs P R Gandhi & Co., Chartered Accountants as Auditors of CGTSI for FY2000-01.

Accounts

9. Income and Expenditure Account for the year ended March 31, 2001 and Balance Sheet as at March 31, 2001, together with the Auditors' Report, are attached. As suggested by the tax consultants and approved by the Board of Trustees, the accounts of the Trust have been drawn on cash basis. Income for the year ended March 31, 2001 exceeded the expenditure by Rs.1.91 lakh. Pending notification from the Authorities concerned for tax exemption to the Trust, income tax of Rs.0.72 lakh on the excess income over expenditure, has been paid.

Income Tax Exemption

10. The objective of the CGFSI is to sub-serve the cause of SSI by making available collateral-free credit to the targeted group in the sector. Further, in order to operate the guarantee scheme on a self-sustainable basis, it is necessary that the Trust should get income tax exemption status. Accordingly, CGTSI applied for exemption from Income Tax u/s. 10 of the Income Tax Act, 1961, to CBDT. The appeal of the Trust to CBDT for tax-exemption was also recommended by the Banking Division, Ministry of Finance and Ministry of SSI & ARI. The matter is being pursued with authorities concerned and the Trust is hopeful of getting tax-exemption status.

Support from RBI

- 11.1 In terms of RBI circular, banks are expected to lend loans up to Rs.5 lakh without insisting on collateral security. RBI has since issued a circular advising PSBs to furnish position of loans outstanding up to Rs.5 lakh, extended without collateral security, and the loans covered under CGFSI, on quarterly basis, effective quarter ended March 31,2001. The information would also reflect the impact of the new guarantee scheme for loans up to Rs.5 lakh, which are otherwise supposed to be extended by banks without collateral security.
- 11.2 The issues of assignment of appropriate risk weight for loans guaranteed by CGTSI and prescription of requisite provisioning norms for such loans have since been examined by RBI. RBI, vide its circular DBOD No.BP.BC.128/21.04.048/00-01 dated June 7, 2001, has since advised banks to assign zero risk weight for portion of loans guaranteed by CGTSI and that, in case the advance covered by guarantee of CGTSI becomes non-performing, no provision need be made towards the guaranteed portion. This gesture of RBI is expected to give fillip to the MLIs to increasingly extend collateral-free credits to eligible projects for loans up to Rs.25 lakh.

Interface

- 12.1 In order to guide and assist the Trust in its endeavour to support the SSIs through guarantee scheme, a National Advisory Committee (NAC) has since been constituted comprising 16 members with representation from RBI, Banks, SSI Industry Associations, SSI Entrepreneurs / Experts, besides officials of GOI and SIDBI.
- 12.2 With a view to facilitating better interaction and improvement in its operational mechanism with the MLIs of the Trust, the Indian Banks' Association (IBA) has constituted a Review Forum out of its member-banks

representing four regions. These banks are Allahabad Bank, Central Bank of India, Punjab National Bank and Vijaya Bank. Shri K. C. Chowdhary, Chief Executive & Secretary, IBA and CEO, CGTSI will participate in the forum. The respective member-banks of the Review Forum have nominated General Manager level officials to represent them.

Management & Organisation

- 13.1 The Board of Trustees of CGTSI comprises Chairman and Managing Director of SIDBI as ex-officio Chairman; Additional Secretary & Development Commissioner (SSI) of GOI as ex-officio Vice-Chairman; Executive Director (holding charge of priority sector) of Reserve Bank of India as ex-officio Member; and Chief Executive Officer of CGTSI, as Member Secretary. The day to day affairs of the Trust are looked after by the CEO under overall guidance of the Board of Trustees.
- 13.2 Dr. Sailendra Narain, the then CMD, SIDBI was the first ex-officio Chairman of CGTSI till his superannuation on July 31, 2000. Shri S. S. Kohli, CMD, PNB, who assumed additional charge as CMD, SIDBI, effective August 1, 2000, was the ex-officio Chairman of CGTSI till January 30, 2001. On appointment as CMD of SIDBI, effective January 31, 2001, Shri P. B. Nimbalkar took over as ex-officio Chairman of the Trust. Shri S. K. Tuteja, Additional Secretary & Development Commissioner, representing GOI, one of the Settlers to the Trust, has been serving as ex-officio Vice-Chairman of CGTSI since its inception. Reserve Bank of India appointed its nominee, the Executive Director (priority sector lending) on the Board of Trustees for a period of one-year only, w.e.f. July 27, 2000. Shri I. D. Agarwal, the then Executive Director served as ex-officio Member of the Trust from July 27, 2000 to December 31, 2000 i.e. till the date of his superannuation. Effective January 1, 2001, Shri P. B. Mathur, Executive Director has been serving as ex-officio Member. The Board places on record appreciation of services rendered by Dr. Sailendra Narain, Shri S. S. Kohli and Shri. I.D.Agarwal.
- 13.3 Four meetings of the Board of Trustees were held during the first year of operation of eight months ended March 31, 2001.
- 13.4 CGTSI appreciates the cooperation and support received from GOI, SIDBI, RBI, IBA, the Member Lending Institutions and industry associations in operationalising the scheme.
- 13.5 As on March 31, 2001, 8 officers including CEO were on deputation from SIDBI. The Board appreciates the contributions made by the officers of the Trust in laying down the system and maintaining operational efficiency.

Credit Guarantee Fund Trust for Small Industries

For and on behalf of the Board of Trustees

Place : Mumbai
Dated : July 9, 2001

(P. B. Nimbalkar)
Chairman



Annexure I

**Slab-wise Assistance approved under Guarantee Scheme
(As on March 31, 2001)**

(Rupees)

Size of Credit	No. of Proposals	Amount of Credit
5,001 - 10,000	54	4,81,500
10,001 - 25,000	236	46,23,310
25,001 - 1,00,000	620	4,12,14,794
1,00,001 - 2,00,000	22	35,71,500
2,00,001 - 5,00,000	12	45,99,200
5,00,001 - 25,00,000	7	61,53,456
Total	951	6,06,43,760

Annexure II

**State wise Assistance approved under Guarantee Scheme
(As on March 31, 2001)**

(Rs. Lakh)

State	No.	Approved Amount	State	No.	Approved Amount
Andhra Pradesh	16	10.54	Kerala	66	29.44
Assam	41	29.42	Madhya Pradesh	119	77.58
Bihar	30	17.99	Maharashtra	48	30.05
Chhattisgarh	6	3.14	Manipur	16	15.20
Delhi	5	3.35	Meghalaya	1	0.50
Goa	2	1.45	Orissa	1	0.87
Gujarat	14	8.37	Punjab	79	29.00
Haryana	32	19.25	Rajasthan	12	14.55
Himachal Pradesh	17	8.29	Sikkim	1	0.90
Jammu & Kashmir	7	4.82	Tamilnadu	55	128.00
Jharkhand	1	0.95	Uttar Pradesh	351	154.50
Karnataka	17	13.46	West Bengal	14	4.82
			Total	951	606.44

Annexure III**Industry wise Assistance approved under Guarantee Scheme
(As on March 31, 2001)**

(Rupees)

Type of Industry	No. of Proposals	Amount of Credit
Basic Metal Industries	19	27,59,500
Beverages / Tobacco	11	5,72,500
Chemicals	6	18,70,500
Cotton Textiles	79	32,58,406
Electrical Machinery	15	11,13,750
Food Products	115	79,74,060
Information Technology	12	13,91,764
Jute Textiles	16	10,91,000
Leather And Fur Products	5	2,48,000
Metal Products	44	31,33,250
Non-Metallic Products	11	7,97,550
Paper And Printing	15	24,40,700
Wood Furniture	62	44,35,650
Wool, Silk Etc.	18	8,02,500
Others	523	2,87,54,630
Total	951	6,06,43,760



AUDITORS' REPORT

To,
The Board of Trustees
Credit Guarantee Fund Trust for Small Industries

We have audited the attached Balance Sheet of **Credit Guarantee Fund Trust for Small Industries** as at 31st March 2001 and also the Income and Expenditure Account for the period ended on that date annexed thereto and report that :

- a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) in our opinion, proper books of accounts, as required by law, have been kept by the Trust so far as it appears from our examination of the books;
- c) the Balance Sheet and Income and Expenditure Account dealt with by this report are in agreement with the books of account;
- d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Trust as at 31st March 2001; and
 - ii) in the case of the Income and Expenditure Account, of the surplus of the Income over Expenditure of the Trust for the period ended on that date.

For **P. R. GANDHI & CO.**
Chartered Accountants

Place : Mumbai
Date : July 9, 2001

(Pravall Gandhi)
Partner

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule	Amount (Rs. in ' 000s)
SOURCES OF FUNDS		
CORPUS FUND	1	1250000
RESERVES AND SURPLUS	2	191
		<u>1250191</u>
APPLICATION OF FUNDS		
INVESTMENTS	3	1250100
BANK BALANCE	4	91
		<u>1250191</u>
Notes to Accounts	5	

As per our Report of even date attached

For **P. R. GANDHI & CO.,**
Chartered Accountants

(Prافull Gandhi)
Partner

Place : Mumbai
Date : July 9, 2001

(N. Venkatasubramanyan)
Member Secretary

On Behalf of the Board of Trustees

(P.B. Nimbalkar)
Chairman

(S.K. Tuteja)
Vice-Chairman



**INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD FROM
27TH JULY, 2000 TO 31ST MARCH, 2001**

	Schedule	Amount (Rs. in '000s)
INCOME		
Guarantee Fee	557.18	
Interest	0.72	557.90
		<u>557.90</u>
EXPENDITURE		
Travelling Expenses	366.88	
Miscellaneous Expenses	0.35	367.23
		<u>367.23</u>
Excess of Income over Expenditure carried to Balance Sheet		<u><u>190.67</u></u>
Notes to Accounts	5	

As per our Report of even date attached

For **P. R. GANDHI & CO.,**
Chartered Accountants

(Pravall Gandhi)
Partner

Place : Mumbai
Date : July 9, 2001

(N. Venkatasubramanyan)
Member Secretary

On Behalf of the Board of Trustees

(P.B. Nimbalkar)
Chairman

(S.K. Tuteja)
Vice-Chairman

SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2001

		Amount (Rs. in ' 000s)
Schedule : 1		
<u>CORPUS FUND</u>		
<u>Received from:</u>		
Government of India	1000000	
SIDBI	250000	
	1250000	1250000
Schedule : 2		
<u>RESERVES AND SURPLUS</u>		
Income & Expenditure Account		191
Schedule : 3		
<u>INVESTMENTS</u>		
Investment in Bonds:		
ICICI Bonds	1000000	
Investment in Fixed Deposits:		
Global Trust Bank Ltd.	250000	
Investment in Short Term Fixed Deposits:		
HDFC Bank Ltd.	100	
	1250100	1250100
Schedule : 4		
<u>BANK BALANCE</u>		
<u>Current Accounts with:</u>		
HDFC Bank Ltd.	63	
IDBI Bank Ltd.	8	
Punjab National Bank	20	
	91	91



Schedule : 5

Significant Accounting Policies And Notes To Accounts

A. ACCOUNTING POLICIES

1. Accounting Convention

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

2. Recognition of Income and Expenditure

The Trust follows Cash basis of accounting i.e. income is recognised only when it is received and expenses are charged to Income and Expenditure account only when they are actually paid.

3. Investments

Long Term Investments have been stated at Cost.

4. Taxation

The surplus of Income over Expenditure is subject to tax as per the Income Tax Act, 1961.

5. Contingent Liabilities

No provision is made for liabilities that are contingent in nature but, if material, the same are disclosed by way of notes to the accounts.

B. NOTES TO ACCOUNTS

1. Previous years figures are not mentioned, as this is the first year of operation of the Trust.
2. The Trust has provided Guarantee cover to the tune of Rs.2,22,87,006 for the credit facility extended by the lending institutions to various Small Scale Industries.

As per our Report of even date attached

For **P. R. GANDHI & CO.,**
Chartered Accountants

(Prafull Gandhi)
Partner

Place : Mumbai
Date : July 9, 2001

(N. Venkatasubramanyan)
Member Secretary

On Behalf of the Board of Trustees

(P.B. Nimbalkar)
Chairman

(S.K. Tuteja)
Vice-Chairman