

Credit Guarantee Fund Trust for Small Industries

Registered Office : 12th Floor, Nariman Bhavan,
227, Vinay K. Shah Marg, Nariman Point,
Mumbai – 400 021

3RD ANNUAL REPORT 2002-2003

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Letter of Transmittal

Credit Guarantee Fund Trust for Small Industries,
12th Floor, Nariman Bhavan,
227, Vinay K. Shah Marg,
Nariman Point,
Mumbai – 400 021

July 07, 2003

The Additional Secy. & Development Commissioner (SSI)
Govt. of India
Ministry of SSI
Office of the Development Commissioner (SSI)
Nirman Bhavan, 7th Floor, 'A' Wing
New Delhi – 110 011

The Deputy Managing Director
Small Industries Development Bank of India
Head Office
SIDBI Tower
15, Ashok Marg
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 Trust for the year ended March 31, 2003, together with Auditors' Report ;

and
2. A copy of the report on the working of Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2003.

Yours faithfully,

Sd/-

(N. Venkatasubramanyan)
Chief Executive Officer



Board of Trustees
(as on July 31, 2003)

Shri V. K. Chopra Chairman & Managing Director Small Industries Development Bank of India	Chairman (Ex-officio)
Shri Suresh Chandra Additional Secretary & Development Commissioner (SSI) Ministry of SSI, Government of India	Vice Chairman (Ex-officio)
Dr. Dalbir Singh Chairman Indian Banks' Association	Member (Ex-officio)
Shri N. Venkatasubramanyan Chief Executive Officer Credit Guarantee Fund Trust for Small Industries	Member Secretary

National Advisory Committee

(as on July 31, 2003)

1. **Shri V. K. Chopra** – *Chairman*
Chairman & Managing Director, SIDBI
2. **Shri Suresh Chandra**
AS & DC (SSI), Ministry of SSI, Gol
3. **Dr. Dalbir Singh**
Chairman, Indian Banks' Association
4. **Shri N. Balasubramanian**
Deputy Managing Director, SIDBI
5. **Shri R. Sahadeva**
General Manager (RPCD), RBI
6. **Shri P. C. Srivastav**
Chief General Manager, State Bank of India
7. **Shri D. L. Rawal**
General Manager, Punjab National Bank
8. **Shri M. Gokuldas**
General Manager, Canara Bank
9. **Dr. S. S. Aggarwal**
President, Laghu Udyog Bharati
10. **Shri Ashok Poddar**
President, Federation of Association of Small Industries of India
11. **Shri Nalin Kohli**
President, Association of Small & Medium Electronics & Information Industries
12. **Dr. Ruddar Datt**
Rtd. Professor, Delhi University
13. **Dr. Bharat Jhunjhunwala**
Rtd. Professor, IIM (Bangalore)
14. **Shri Chandrakant Salunkhe**
Executive President, Jagatik Marathi Chamber of Commerce & Industries, Mumbai
15. **Mrs. Uma Reddy**
President, Association of Women Entrepreneurs of Karnataka, Bangalore
16. **Shri N. Venkatasubramanyan**
Chief Executive Officer, CGTSI



Member Lending Institutions of CGTSI

(as on July 31, 2003)

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. ICICI Bank Ltd
12. IDBI Bank Ltd
13. Indian Bank
14. Indian Overseas Bank
15. IndusInd Bank Ltd
16. Oriental Bank of Commerce
17. Punjab & Sind Bank
18. Punjab National Bank
19. State Bank of India
20. State Bank of Bikaner & Jaipur
21. State Bank of Hyderabad
22. State Bank of Indore
23. State Bank of Mysore
24. State Bank of Patiala
25. Syndicate Bank
26. The United Western Bank Ltd.
27. UCO Bank
28. Union Bank of India
29. United Bank of India
30. Vijaya Bank

REGIONAL RURAL BANKS

1. Prathama Bank, Uttar Pradesh
2. Sabarkantha – Gandhinagar Gramin Bank, Gujarat
3. Sri Saraswathi Grameena Bank, Andhra Pradesh

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, 2003

Introduction

- 1.1 While successfully adjusting to the demands of post-liberalisation phase of global economic situations, Indian economy has shown an appreciable resilience and capitalized on the performance of its core sectors as also sunrise industries. Against this backdrop, It has become all the more imperative that the capital-intensive modern industries and labour-intensive small-scale industries not only co-exist but also supplement each other. This would ensure the twin objectives of saving and re-channelising the costly capital and expanding the base for employment generation.
- 1.2 The small-scale sector has proved its utility and importance consistently by contributing significantly to the nurturing of entrepreneurial talent, broadening manufacturing base, creating employment opportunities and earning of foreign exchange. The SSI sector has always registered higher growth rate than the growth rate of GDP and the industrial sector. During FY 2002-03, the SSI sector is estimated to have recorded a growth of 7.5 per cent in output, as compared to growth of 5.8 per cent registered in the industrial sector as a whole. During the year 2002-03, 1.3 lakh units are reportedly added to the total population of SSIs at around 35.7 lakh units. With an addition of employment of 7 lakh persons during FY 2002-03, the total employment in SSI sector is reported to be 199 lakh persons as at the end of March 2003.
- 1.3 In the post-liberalization phase in India, it has been observed that the employment generation in the public sector has experienced a decline and the organized private sector has witnessed a very slow and jobless growth. Besides, the growth rate of employment in agriculture has also displayed a consistently negative trend, leading to a shift in the focus of employment generation to the largely unorganized sector, including small-scale sector and growing service sector. In fact, a large segment of service sector consists of small enterprises covering vast spectrum of industry-related services. Keeping the significant employment generation potential of SSI sector, the Tenth Plan has estimated that during the plan period itself there will be an addition of around 9 lakh units in SSI sector which shall be able to generate employment to the tune of 44 lakh persons cumulatively.
- 1.4 Central Government on its part remains committed to the growth of SSI sector and has launched several policy and institutional support mechanism over the years to help the sector move ahead. The issue relating to the Sector's inability to tap adequate and timely credit has been receiving attention of the policy-makers and the Government introduced appropriate remedial measures from time to time. One such measure has been to resolve the problem of collaterals being faced by the SSI sector in accessing credit from Banks. To resolve the problem of collaterals, Government launched the Credit Guarantee Fund Scheme for Small Industries in August 2000 to enable the SSI units and units engaged in IT /software industry to seek formal credit up to Rs.25 lakh from the banking system without collaterals and / or third party guarantee. Govt. of India and SIDBI had set up the Credit Guarantee Fund Trust for Small Industries (CGTSI) for implementing the credit guarantee scheme and to act as a true facilitator for smoothening the flow of collateral free lending to SSI sector.

Corpus Fund of CGTSI

- 2 The initial corpus of Trust of Rs.125 crore contributed by settlors, GOI and SIDBI, in the ratio of 4:1 in August 2000 has since been enhanced to Rs. 427 crore as at March 2003. During FY 2002-03, CGTSI received corpus contribution of Rs. 177 crore from its settlors.

Member Lending Institutions

3. CGTSI has considerably increased its reach for wider dispersal of collateral free credit to eligible SSIs by registering majority of the Scheduled Commercial Banks as its Member Lending Institutions. As on March 31, 2003 the total number of MLIs stood at 35, comprising 25 Public Sector Banks (PSBs), 5 private sector banks, 3 RRBs and 2 other institutions viz. NSIC and NEDFi. As on March 31, 2003, there were 21 PSBs and NSIC, which were the active MLIs availing of guarantee facility from CGTSI.

Technology Based Transactions

4. Crafting the operations in tune with the technological operating environment, CGTSI has been working on a fully integrated on-line system. The work relating to second phase of software development, awarded to Satyam Computer Services Ltd., is under progress and is expected to be completed by December 2003. The software when developed would enable CGTSI to seamlessly integrate all its operation modules, enhancing the capability of the system to perform additional functions like on-line submission of periodic information, settlement of claims, operations under Mutual Credit Guarantee Scheme, etc.

Modifications to the Guarantee Scheme

5. Keeping in view the RBI directive to commercial banks to lend to SSI sector for loans up to Rs.5 lakh without collateral security, the guarantee scheme was modified whereby it was specified to MLIs that the guarantee cover of the Trust shall be available only for loan amount above Rs. 5 lakh and up to Rs.25 lakh sanctioned to the eligible SSI borrowers with effect from February 01, 2003 (the lower ceiling of amount above Rs.5 lakh has since been removed).

Awareness Programmes

6. Ever since its inception, CGTSI has followed a strategy of creating awareness amongst SSI entrepreneurs and scheduled commercial banks. With regard to demand side awareness, as a matter of policy, CGTSI has been participating in various seminars organized with active cooperation of SSI Associations. In continuation of its earlier exercise, a series of three advertisements were released in regional language newspapers covering the States of Andhra Pradesh, Assam, Bihar, Chattisgarh, Delhi, Jharkhand, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttaranchal, Uttar Pradesh and West Bengal. CGTSI has successfully utilized the media channel strategy to position and propagate its guarantee scheme among the various SSI interest groups, through print media (newspapers / magazines), posters (at bank branches, offices of SISI, DICs etc.), direct mailers, industrial directories, trade journals, souvenirs of industry associations, etc. In order to create awareness amongst the banks, interactive seminars/ workshops-cum-training programmes have been conducted successfully by CGTSI at various centers across the country for the benefit of operating staff of the MLIs. Leading PSBs such as State Bank of India, Central Bank of India and Punjab National bank have issued special advertisement in the newspapers citing the various facilities available for the SSI sector, including the collateral free credit of Rs.25 lakh under the credit guarantee scheme. Updated information on the functioning of CGTSI has been posted at its website www.cgtsi.org.in and mails received from existing / prospective SSI entrepreneurs are attended to promptly. CGTSI would continue to give importance to such awareness programmes.

Performance of Scheme

- 7.1 During FY 2002-03, 21 scheduled commercial banks and NSIC availed of the guarantee facility in respect of their collateral-free/third party guarantee-free credits to SSI units. Particulars of MLI-wise guarantees approved and guarantees issued by CGTSI as on March 31, 2003 are given in **Annexure I**.
- 7.2 As on March 31, 2003, 8202 projects were approved for guarantee cover for aggregate loans of Rs. 94.25 crore. The SSI units assisted under Credit Guarantee Scheme are expected to generate employment to 24434 persons, turnover and exports of Rs. 588 crore and Rs. 8.27 crore, respectively. As on March 31, 2003, cumulative guarantee issued were in respect of 6864 units for Rs.79.06 crore.

- 7.3 The Guarantee cover approved during FY 2002-03 was in respect of 5217 units for Rs.61.77 crore, as compared to 2145 units for Rs.27.39 crore in FY 2001-02, registering a growth rate of 143 per cent in terms of number of units and 125 per cent in terms of amount of credit approved for guarantee cover. While 2380 new SSI units were issued guarantee cover for Rs.25.43 crore in FY 2001-02, the guarantee issued was in respect of 4226 units for Rs.51.42 crore during FY 2002-03, registering a growth rate of 77 per cent by way of number of units and 102 per cent by way of amount of credit issued for guarantee cover.
- 7.4 As on March 31, 2003 the top five MLIs which provided credit under credit guarantee scheme were Canara Bank (Rs.27.49 crore), NSIC (Rs.12.60 crore), Union Bank of India (Rs.12.20 crore), State Bank of India (Rs.11.85 crore) and Punjab National Bank (Rs.7.10 crore).
- 7.5 The industry-wise assistance made available by MLIs under the guarantee scheme, as on March 31, 2003, is given in **Annexure II**.
- 7.6 The distribution of units covered under the scheme expanded to 30 States / UT. State-wise coverage of cumulative units under the guarantee scheme as on March 31, 2003 is given in **Annexure III**. State-wise number of proposals covered under guarantee scheme was maximum in Uttar Pradesh, followed by Kerala, Bihar, Karnataka and West Bengal etc. Amount-wise, Karnataka (Rs.16.58 crore) topped the list, followed by Tamil Nadu (Rs.10.41 crore), Uttar Pradesh (Rs.9.77 crore), Maharashtra (Rs.7.48 crore), and Kerala (Rs.7.10 crore) etc.
- 7.7 Of the 8202 units assisted under the scheme for Rs.94.25 crore, 6976 units (85 per cent) pertained to the category having credit component of up to Rs.1 lakh; 831 units (10 per cent) having credit component in the range of Rs. 1 – 5 lakh, 236 units (3 per cent) having credit component in the range of Rs. 5 –10 lakh and rest 159 units (2 per cent) were having credit component in the range of Rs. 10 – 25 lakh. 95 per cent of units assisted under the scheme were for loans upto Rs. 5 lakh. Amount-wise, 27 per cent of credit was for loans below Rs.1 lakh, 8 per cent of credit for loans over Rs.1 lakh and up to Rs.2 lakh, 15 per cent of credit for loans over Rs.2 lakh and up to Rs.5 lakh, 50 per cent of the credit extended was for loans over Rs.5 lakh. Slab-wise analysis of credit proposals approved under guarantee scheme is given in **Annexure IV**.

Auditors

- 8.1 M/s. RSM & Co., Mumbai, a firm of Chartered Accountants, has been appointed as internal auditors of CGTSI, for the FY 2002-03. The Auditors have undertaken a comprehensive review of the entire computer systems as also financial audit covering revenue expenses, investment and revenue income.
- 8.2 As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. Adukia & Associates, Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTSI for the FY 2002-03.

Tax Exemption to CGTSI

- 9 As per the provisions of the Finance Bill introduced by the Hon'ble Finance Minister on February 28, 2002 and passed by the Parliament, under sub-section 23EB U/S 10 of Income Tax Act, 1961, the income of CGTSI was exempted from tax payment for a period of 5 years commencing from the Financial Year 2001-02 (Assessment Year 2002-03).

Accounts

- 10.1 Income and Expenditure Account for the year ended March 31, 2003 and Balance Sheet as at March 31, 2003, together with the Auditors' Report are attached. During FY 2002-03, the excess of income over expenditure/ provisions was Rs.16.10 crore as against Rs.17.57 crore in FY 2001-02. During FY 2002-03, provisions for guarantee claims amounted to Rs.14 crore, as compared to Rs.10 crore provided for in FY 2001-02. The Trust follows accrual system of accounting its income and expenditure effective FY 2001-02.

Liability of the Trust in respect of a guaranteed account begins only on issue of guarantee, which depends on the actual receipt of guarantee fee in respect of the account approved for guarantee cover. Keeping this in view, RSM & Co., the internal auditors of the Trust has advised to reckon guarantee fee on cash basis. In FY 2002-03, Trust has therefore reckoned the income of guarantee fee on cash basis and this will be the accounting policy of the Trust, in future.

- 10.2 The total investment of the Trust as at March 31, 2003 stood at Rs.450.91 crore as against Rs.261.59 crore as at the end of the previous year. The Trust is contingently liable in respect of the guarantee cover issued by it. As on March 31, 2003, the guarantee cover issued by the Trust was Rs.79.06 crore, which had increased from Rs.27.64 crore as at March 31, 2002.

Progress of Mutual Credit Guarantee Scheme

11. CGTSI has initiated action plan for implementation of Mutual Credit Guarantee Scheme (MCGS) in the country, on pilot basis, with active cooperation of select industry associations and commercial banks. Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) has already initiated the implementation of MCGS. Andhra Bank, State Bank of Hyderabad and State Bank of India, acting as dedicated bankers, have agreed to provide credit to the members of the proposed ALEAP Mutual Credit Guarantee Fund. CGTSI would provide counter-guarantee to ALEAP MCGF. Based on the success of the ALEAP MCGF experiment, other proactive SSI Associations are also expected to replicate the MCGF in their clusters.

Interface

- 12.1 The National Advisory Committee (NAC) constituted in May 2001 with representatives from GOI, SIDBI, RBI, IBA, Banks, Experts / Professionals, SSI Entrepreneurs, and SSI Industry Associations had so far held three meetings. The NAC has been reconstituted in May 2003 and CGTSI places on record the valuable services rendered by the retired members.
- 12.2 With a view to building mutually beneficial relationship between CGTSI and its MLIs, an IBA Review Forum was constituted comprising members nominated from Allahabad Bank, Central Bank of India, Punjab National Bank, State Bank of India and Vijaya Bank. The IBA forum has met twice so far and pursuant to deliberations at IBA Review Forum, some of the modifications have been carried out by CGTSI in the operational aspects of the credit guarantee scheme.

Management & Organisation

- 13.1 The Board of Trustees comprise Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (SSI) of GOI as ex-officio Vice-Chairman, Chairman IBA as ex-officio member and Chief Executive Officer of CGTSI as Member Secretary. During FY 2002-03, four meetings of the Board were held.
- 13.2 CGTSI appreciates on record the support and cooperation received from Ministry of SSI, Office of DC (SSI), GoI, SIDBI, UNIDO, RBI, IBA, MLIs of CGTSI, and SSI Industry Associations.
- 13.3 As on March 31, 2003, nine officers including CEO were on deputation with CGTSI from SIDBI. The Board appreciates the contribution made by them in operationalising the guarantee scheme effectively.

Credit Guarantee Fund Trust for Small Industries

For and on behalf of the Board of Trustees

Place : Mumbai
Dated : June 27, 2003

(N. Balasubramanian)
Chairman

Annexure - I

**MLI - wise Guarantees approved and issued under Guarantee Scheme
as on 31/03/2003 (Cumulative)**

Name of MLI	No. of SSI Units	Guarantees approved (Amount in Rs. lakh)	Name of MLI	No. of SSI Units	Guarantees issued (Amount in Rs. lakh)
Allahabad Bank	297	236.84	Allahabad Bank	230	183.79
Andhra Bank	68	54.87	Andhra Bank	67	54.07
Bank of Baroda	61	117.38	Bank of Baroda	58	106.62
Bank of India	300	426.38	Bank of India	276	375.01
Bank of Maharashtra	78	43.47	Bank of Maharashtra	75	41.05
Canara Bank	2,105	2,749.22	Canara Bank	1,866	2,636.13
Central Bank of India	331	618.90	Central Bank of India	263	377.72
Corporation Bank	1	4.95	Corporation Bank	1	4.95
Dena Bank	175	249.88	Dena Bank	172	244.98
Indian Bank	9	22.35	Indian Bank	6	5.60
Indian Overseas Bank	184	327.95	Indian Overseas Bank	174	297.66
NSIC Ltd.	127	1,259.83	NSIC Ltd.	103	1,032.37
Oriental Bank of Commerce	5	2.80	Oriental Bank of Commerce	5	2.80
Punjab & Sind Bank	10	18.63	Punjab & Sind Bank	9	16.63
Punjab National Bank	802	709.65	Punjab National Bank	786	698.40
State Bank of India	2,187	1,185.07	State Bank of India	1,512	658.82
State Bank of Mysore	3	30.00	State Bank of Mysore	1	15.00
Syndicate Bank	14	51.36	Syndicate Bank	13	41.36
Uco Bank	2	1.51	Uco Bank	2	1.51
Union Bank of India	1,382	1,219.69	Union Bank of India	1,190	1,032.82
United Bank of India	58	42.61	United Bank of India	52	27.11
Vijaya Bank	3	51.86	Vijaya Bank	3	51.86
Total	8,202	9,425.20	Total	6,864	7,906.26

Annexure - II

**Industry-wise Guarantees approved under Guarantee scheme as on March 31, 2003
(Cumulative)**

Industry	No. of SSI Units	Loan amount (Rs. lakh)
Basic Metal Industries	129	299.40
Beverages, Tobacco Etc.	15	31.17
Chemicals Etc.	56	241.66
Electrical Machinery	107	253.22
Food Products	984	1,082.26
Information Technology	83	351.03
Jute Textiles	25	13.72
Leather And Fur Products	152	84.98
Metal Products	368	677.72
Non-Metallic Products	74	200.71
Paper And Printing	160	530.08
Textile Products	611	433.78
Wood Furniture	341	317.48
Wool, Silk etc.	411	127.26
Other Manufacturing	4,686	4,780.73
Total	8,202	9,425.20

Annexure - III

State-wise Guarantees approved under Guarantee Scheme as on March 31, 2003

State	No. of SSI Units	Loan Amount (Rs. lakh)
A & Nicobar Islands	8	2.65
Andhra Pradesh	484	668.64
Assam	44	118.84
Bihar	792	448.91
Chandigarh	5	21.79
Chhattisgarh	117	168.81
Daman & Diu	1	25.00
Delhi	30	154.47
Goa	18	24.88
Gujarat	84	155.06
Haryana	125	280.39
Himachal Pradesh	243	98.35
Jammu & Kashmir	125	113.52
Jharkhand	299	306.38
Karnataka	620	1,658.05
Kerala	1,377	709.60
Madhya Pradesh	498	611.34
Maharashtra	252	747.93
Meghalaya	3	1.97
Nagaland	6	46.08
Orissa	257	138.04
Pondicherry	2	37.00
Punjab	259	216.11
Rajasthan	143	305.18
Sikkim	3	11.86
Tamilnadu	383	1,040.92
Tripura	1	21.86
Uttar Pradesh	1,502	976.63
Uttaranchal	12	27.85
West Bengal	509	287.09
Total	8,202	9,425.20



Annexure - IV

**Slab-wise analysis of credit proposals approved under Guarantee Scheme
as on March 31, 2003 (Cumulative)**

Range (Rs.)	No. of SSI units	Guarantee Cover approved (Rs. lakh)
Upto 25,000/-	3,992	653.18
25,001 to 50,000/-	1,354	556.44
50,001 to 100,000/-	1,630	1,312.38
100,001 to 200,000/-	449	753.15
200,001 to 500,000/-	382	1,462.73
500,001 to 1,000,000/-	236	1,867.24
1,000,001 To 2,500,000/-	159	2,820.08
Total	8,202	9,425.20

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 2003 and also the Income and Expenditure Account for the year ended on that date annexed thereto:

These financial statements are the responsibility to the management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis.

We have to 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 2003; and
 - ii) in the case of the Income and Expenditure Account, of the surplus of the Trust for the year ended on that date.

For **ADUKIA & ASSOCIATES**
Chartered Accountants

Place : Mumbai
Date : June 27, 2003

(Rajkumar Adukia)
Partner

BALANCE SHEET AS AT MARCH 31, 2003

	Schedules	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
SOURCES OF FUNDS			
Corpus Fund	1	4,270,187,500	2,500,000,000
Reserves & Surplus	2	336,934,402	175,900,447
Current Liabilities & Provisions	3	242,225,242	101,887,074
Total		4,849,347,144	2,777,787,521
APPLICATION OF FUNDS			
Investments	4	4,509,057,776	2,615,854,230
Current Assets, Loans & Advances			
Cash in hand		1,543	5,000
Bank Balance	5	256,125	99,092
Accrued Income	6	333,307,627	121,846,545
Receivables		2,127,577	-
Advance payment of Income Tax (Refundable)		4,596,496	39,982,654
Total		4,849,347,144	2,777,787,521
Notes forming part of Accounts	8		
Significant Accounting Policies	9		

As per our Report of even date attached

For **Adukia & Associates**
Chartered Accountants

(**Rajkumar Adukia**)
Partner

Place : Mumbai
Date : June 27, 2003

(**Suresh Chandra**)
Vice-Chairman

On behalf of the Board of Trustees

(**N. Balasubramanian**)
Chairman

(**N. Venkatasubramanyan**)
Member Secretary

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

PARTICULARS	Schedules	Amount	Amount
		(Rs.) 2002 - 03	(Rs.) 2001 - 02
INCOME			
Interest on Investments		298,119,633	278,525,827
Guarantee Fees		12,678,634	7,448,015
Annual Service Fees		3,717,943	807,921
Interest on Advance Tax Refund		2,523,376	0
		317,039,586	286,781,763
EXPENDITURE			
Operating and Other Administrative Expenses	7	16,005,631	11,071,981
EXCESS OF INCOME OVER EXPENDITURE		301,033,955	275,709,782
Provisions for Guarantee claims		140,000,000	100,000,000
EXCESS OF INCOME OVER EXPENDITURE		161,033,955	175,709,782
CARRIED TO BALANCE SHEET			

As per our Report of even date attached

For **Adukia & Associates**
Chartered Accountants

(Rajkumar Adukia)
Partner

Place : Mumbai
Date : June 27, 2003

(Suresh Chandra)
Vice-Chairman

On behalf of the Board of Trustees

(N. Balasubramanian)
Chairman

(N. Venkatasubramanyan)
Member Secretary



SCHEDULES FORMING PART OF THE BALANCE SHEET
AND INCOME AND EXPENDITURE ACCOUNT

	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
Schedule : 1		
Corpus Fund		
Received from :		
Government of India	3,416,150,000	2,000,000,000
SIDBI	854,037,500	500,000,000
	<u>4,270,187,500</u>	<u>2,500,000,000</u>
Schedule : 2		
Reserves & Surplus		
Income & Expenditure Account		
Opening Balance	175,900,447	190,665
Add: Excess of Income over Expenditure for the current year	161,033,955	175,709,782
	<u>336,934,402</u>	<u>175,900,447</u>
Schedule : 3		
Current Liabilities and Provisions		
Provision for Guarantee claims made in the previous year	100,000,000	0
Provision for Guarantee Claims	140,000,000	100,000,000
Provision for Outstanding Liabilities	2,225,242	1,864,724
Guarantee Fee Received in Excess Refundable	0	22,350
	<u>242,225,242</u>	<u>101,887,074</u>
Schedule : 4		
Investments		
Investment in Bonds	300,000,000	300,000,000
Investment in Fixed Deposits	4,203,172,031	2,308,452,123
Investment in Short Term Fixed Deposits	5,885,745	7,402,107
	<u>4,509,057,776</u>	<u>2,615,854,230</u>
Schedule : 5		
Bank Balance		
Current Accounts with:		
State Bank of India	42,376	1,000

SCHEDULES FORMING PART OF THE BALANCE SHEET
AND INCOME AND EXPENDITURE ACCOUNT

	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
HDFC Bank Ltd.	500	4,420
IDBI Bank Ltd.	212,809	92,341
Punjab National Bank	440	1,331
	<u>256,125</u>	<u>99,092</u>
Schedule : 6		
Accrued Income		
Guarantee Fees	0	570,958
Annual Service Fees	3,500,000	800,000
Interest on Investments	329,807,627	120,475,587
	<u>333,307,627</u>	<u>121,846,545</u>
Schedule : 7		
Operating and Other Administrative Expenses		
Salaries & Allowances to employees	3,014,584	3,293,212
Web Hosting / ISDN/ LSD Line Charges	1,793,673	442,344
Advertisement & Publicity Expenses	4,276,917	3,116,340
Bank Charges	2,650	1,440
Car Hire Charges	377,845	311,710
Computer Software Charges	100,000	250,850
Courier/Postage Charges	77,693	55,629
Professional fees	5,000	627,500
Internal Auditors Fee	209,900	161,959
Audit Fee	35,750	20,000
Miscellaneous Expenses	117,107	167,970
National Advisory Committee / Board Meeting Expenses	87,536	79,026
Office Expenses	951,544	441,419
Printing & Stationery	254,156	246,963
Rent	2,870,701	330,323
Service Charges paid to SIDBI	1,365,839	1,024,983
Telephone Expenses	44,881	253,039
Training Expenses	23,000	37,091
Travelling Expenses	396,855	210,183
	<u>16,005,631</u>	<u>11,071,981</u>



**SCHEDULES FORMING PART OF THE BALANCE SHEET
AND INCOME AND EXPENDITURE ACCOUNT**

Schedule : 8

Notes forming part of Accounts

- 1 Previous Year figures have been regrouped or rearranged wherever necessary.
- 2 The Trust has provided Guarantee cover to the tune of Rs. 790,625,282 (Previous year Rs.276,441,976) for the credit facility extended by the lending institutions to various Small Scale Industries.
- 3 As per the Memorandum of Understanding entered into between SIDBI and Trust on October 04, 2001, Trust makes the payment of service charge @20% on the expenses incurred by SIDBI on behalf of Trust towards administrative expenses directly attributable to the functioning of the Trust.

Schedule : 9

Significant 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 guarantee cover is issued only on receipt of guarantee fee and hence guarantee fee receipt is accounted for on cash basis. All other income and expenditure are on accrual basis.

3 Investments

Investments have been stated at cost.

4 Taxation

The income of the Trust is exempt from Income Tax for 5 previous years relevant to the Assessment Years commencing from April 1, 2002 and ending on March 31, 2007.

Accordingly, no provision for income tax has been made during the year ended March 31, 2003.

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.

As per our Report of even date attached

For **Adukia & Associates**
Chartered Accountants

(Rajkumar Adukia)
Partner

Place : Mumbai
Date : June 27, 2003

(Suresh Chandra)
Vice-Chairman

On behalf of the Board of Trustees

(N. Balasubramanian)
Chairman

(N. Venkatasubramanian)
Member Secretary