

Credit Guarantee Fund Trust for Small Industries

Registered Office :

SME Development Centre,
1st Floor, C-11/G-Block,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051.

**6th Annual Report
2005 - 06**

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Credit Guarantee Fund Trust for Small Industries
SME Development Centre, 1st Floor,
C-11/G-Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051.

September 29, 2006

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

The Chairman & Managing Director
Small Industries Development Bank of India
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, 2006, together with Auditors' Report, and
- 2) A copy of the report on the working of Credit Guarantee Fund Trust for Small Industries for the period ended March 31, 2006.

Yours faithfully,

Sd/-
(S. L. Choudhury)
Chief Executive Officer

BOARD OF TRUSTEES

Board of Trustees
(as on **September 30, 2006**)

Shri N. Balasubramanian Chairman & Managing Director Small Industries Development Bank of India	Chairman (ex-officio)
Shri Jawhar Sircar Additional Secretary and Development Commissioner (SSI) Ministry of SSI, Government of India	Vice Chairman (ex-officio)
Shri V. P. Shetty Chairman Indian Banks' Association	Member (ex-officio)
Dr. K. C. Chakrabarty Chairman & Managing Director Indian Bank	Member
Dr. Dharmendra Bhandari	Member
Shri S. L. Choudhury Chief Executive Officer Credit Guarantee Fund Trust for Small Industries	Member Secretary

MEMBER LENDING INSTITUTIONS OF CGTSI
(as on March 31, 2006)**(A) SCHEDULED COMMERCIAL BANKS****(i) PUBLIC SECTOR BANKS**

- | | |
|--------------------------|-------------------------------|
| 1) Allahabad Bank | 11) Indian Bank |
| 2) Andhra Bank | 12) Indian Overseas Bank |
| 3) Bank of Baroda | 13) Oriental Bank of Commerce |
| 4) Bank of India | 14) Punjab & Sind Bank |
| 5) Bank of Maharashtra | 15) Punjab National Bank |
| 6) Canara Bank | 16) Syndicate Bank |
| 7) Central Bank of India | 17) UCO Bank |
| 8) Corporation Bank | 18) Union Bank of India |
| 9) Dena Bank | 19) United Bank of India |
| 10) IDBI Limited | 20) Vijaya Bank |

(ii) SBI AND ITS ASSOCIATE BANKS

- | | |
|-----------------------------------|-----------------------------|
| 1) State Bank of India | 5) State Bank of Mysore |
| 2) State Bank of Bikaner & Jaipur | 6) State Bank of Patiala |
| 3) State Bank of Hyderabad | 7) State Bank of Travancore |
| 4) State Bank of Indore | 8) State Bank of Saurashtra |

(iii) PRIVATE SECTOR BANKS

- | | |
|----------------------------------|---------------------------------|
| 1) HDFC Bank Ltd. | 7) The South Indian Bank Ltd. |
| 2) ICICI Bank Ltd. | 8) The United Western Bank Ltd. |
| 3) ING Vysya Bank Ltd. | 9) The Bank of Rajasthan Ltd. |
| 4) IndusInd Bank Ltd. | 10) UTI Bank Ltd. |
| 5) The Jammu & Kashmir Bank Ltd. | 11) Kotak Mahindra Bank Ltd. |
| 6) The Nainital Bank Ltd. | |

(B) REGIONAL RURAL BANKS

- | | |
|---|--|
| 1) Godavari Grameena Bank, A.P. | 7) Jamuna Gramin Bank , U.P. |
| 2) Howrah Grameen Bank, W.B. | 8) Kapurthala-Ferozpur Kshetriya Gramin Bank, Punjab |
| 3) Prathama Bank, U.P. | 9) Bareilly Kshetriya Gramin Bank, U.P. |
| 4) Sabarkantha-Gandhinagar Gramin Bank, Gujarat | 10) Chikmangalur - Kodagu Gramin Bank, Karnataka |
| 5) Shivalik Kshetriya Gramin Bank, Punjab | 11) Giridih Kshetriya Gramin Bank, Jharkhand |
| 6) Sri Saraswathi Grameena Bank, A.P. | 12) Chitadurga Gramin Bank, Karnataka |

(C) OTHER INSTITUTIONS

- | | |
|---|---|
| 1) National Small Industries Corporation Ltd. | 3) Small Industries Development Bank of India |
| 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, 2006**

Introduction

1. Corpus Fund of CGTSI

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. 1182 crore as at March 31, 2006. During FY 2005-06, CGTSI received corpus contribution of Rs. 250 crore from its settlors.

2. Member Lending Institutions

As on March 31, 2006, 54 eligible lending institutions comprising 28 Public Sector Banks, 11 Private Sector Banks, 12 Regional Rural Banks and 3 other Institutions viz. NSIC, NEDFI and SIDBI have become Member Lending Institutions (MLIs) of CGTSI for extending the collateral free credit facility to the viable SSI / SSSBE (IR) units and participating in the guarantee scheme. During the period under review, Kotak Mahindra Bank Ltd., Bareilly Kshetriya Gramin Bank, Chikmagalur-Kodagu Gramin Bank, Giridih Kshetriya Gramin Bank, Chitradurga Gramin Bank became MLIs. During the year the following institutions Godavari Grameena Bank, ING Vysya Bank Ltd., Jamuna Gramin Bank, State Bank of Saurashtra started availment of guarantee cover.

3. Technology Based Transactions

The Enterprise wide B2B software, which seamlessly integrates all the operational modules of CGTSI, enhancing the capability of the system to perform additional functions like on-line submission of periodic information, online updation of payment information, settlement of claims, operations under Mutual Credit Guarantee Scheme, has been implemented from April 1, 2005. Most of the problems relating to the transition from the old software to the present one were resolved with constant efforts by CGTSI. Some of the unresolved issues are being addressed to on top priority.

4. Modifications to the Credit Guarantee Scheme

Based on feedback and suggestions received from the MLIs as well as other stakeholders, the following modifications in the scheme were introduced during the year:

In order to make the Scheme more attractive for some of the borrowers, it was decided to change the guarantee fee structure under the Scheme for select category of eligible borrowers as follows in consonance with the measures pertaining to CGTSI in the "Policy Package for stepping up credit to Small and Medium Enterprises" as announced by the Hon'ble Finance Minister, Government of India, in the Parliament on August 10, 2005. *"A one time guarantee fee at specified rate (currently 2.5 per cent) of the credit facility sanctioned, (comprising term loan and / or working capital facility) shall be paid upfront to the Trust by the eligible institution availing of the guarantee within 30 days from the date of first disbursement of credit facility, with the proviso, however, that such Guarantee Fee will be at a rate of 1.5% instead with regard to the following category of borrowers in respect of credit facility sanctioned on or after October 01, 2005 and covered under the Scheme :*

- (a) All loans upto Rs. 2.00 lakh;*
- (b) All eligible women Entrepreneurs;*
- (c) All eligible borrowers located in the North Eastern Region (including Sikkim) and Jammu & Kashmir."*

5. Awareness Programmes

- 5.1. During the year CGTSI continued to follow the strategy of creating awareness about the scheme amongst SSI entrepreneurs and member banks/ institutions. In order to create awareness amongst the banks and other stakeholders, 173 interactive seminars/ workshops-cum-training programmes as well as interface with industry associations have been conducted successfully by CGTSI at various centers across the country for the benefit of operating staff of the MLIs. In

consultation with some banks, resource persons have been trained to enable them to train other officers from their bank. At the Industry Associations' Meets, CGTSI has requested them to publicize CGS through the channels available with them.

5.2. Website and direct interface.

5.2.1. Updated information on the functioning of CGTSI has been posted on the Trust's website and mails received from existing / prospective SSI entrepreneurs are being attended to promptly.

5.2.2. A Link Officer in every SISI office, identified by the Ministry of SSI, with a view to using SISI network for scheme promotion and greater awareness creation through all possible channels, were trained by CGTSI during FY 2003-04. These officers have in turn started the work of creating awareness about the scheme which has created an impact. To familiarize these Link Officers with the features and operations of CGS, workshops are conducted from time to time in different parts of the country. Besides, CGTSI has been disseminating information on the Scheme through the network of SIDBI offices in various State / District level meetings.

5.2.3. CGTSI's newsletter 'Credit Link' is distributed amongst SSI industry associations, Member Lending Institutions of CGTSI, Government agencies / departments, etc. The newsletter aims at giving wider publicity to the CGS through various available channels. It gives information about policy changes in CGS, progress made in operations and other related updates. The newsletter has been well received and has generated good interest amongst stakeholders.

6. Performance of Scheme

6.1. 54 MLIs were registered with CGTSI as on March 31, 2006 including 39 scheduled commercial banks, 12 Regional Rural Banks and 3 institutions.

6.2. During FY 2005-06, 35 Member Lending Institutions availed of the guarantee facility in respect of their collateral-free/third party guarantee-free credits to SSI/SSSBE (IR) units. Particulars of MLI-wise guarantee approved by CGTSI as on March 31, 2006 are given in **Annexure I**.

6.3. As on March 31, 2006, 40605 proposals were approved for guarantee cover as against 27878 proposals approved as on March 31, 2005 registering a growth of 46%. The aggregate loan amount for which approval for guarantee cover were granted stood at Rs. 1000.53 crore 86% higher than the corresponding figure for March 31, 2005. The units assisted under the Credit Guarantee Scheme are expected to generate employment for 1,63,718 persons, turnover and exports of Rs. 8,618 crore and Rs.248 crore, respectively.

6.4. As on March 31, 2006 the top five MLIs, which provided credit under Credit Guarantee Scheme, were Canara Bank (Rs. 176.98 crore), State Bank of India (Rs. 145.12 crore), Union Bank of India (Rs. 70.05 crore), UCO Bank (Rs. 64.33 crore) and United Bank of India (Rs. 59.86 crore).

6.5. The distribution of units covered under the scheme expanded to 34 States/ Union Territories (UTs). State-wise cumulative coverage of units under the Credit Guarantee Scheme as on March 31, 2006 is given in **Annexure II**. Among the states Uttar Pradesh lodged the maximum number of applications (7799 accounts). It was followed by Kerala (7609 accounts), Karnataka (3323 accounts), Tamil Nadu (3276 accounts) and West Bengal (2597 accounts).

6.6. Amount-wise, Karnataka (Rs. 145.63 crore) topped the list, followed by Tamil Nadu

(Rs.132.90 crore), Kerala (Rs.96.52crore), West Bengal (Rs.81.34 crore) and Uttar Pradesh (Rs.75.09 crore).

- 6.7. The industry-wise assistance made available by MLIs under the guarantee scheme, as on March 31, 2006, is given in **Annexure III**. Metal Products units received maximum coverage in terms of amount of assistance covered under the Credit Guarantee Scheme (Guarantee approved for Rs.81.30 crore) followed by Food products (Guarantee approved for Rs.80.25 crore), Textile products (Guarantee approved for Rs.56.99 crore), Basic Metal Industries (Guarantee approved for Rs. 41.88 crore), Services (Industry related) (Guarantee approved for Rs. 38.70 crore).
- 6.8. Of the 40605 proposals covered under the scheme for Rs.1000.53 crore, 27743 proposals (68 per cent) pertained to the category having credit component of up to Rs.1 lakh; 7535 proposals (19 per cent) having credit component in the range of Rs. 1 - 5 lakh, 2865 proposals (7 per cent) having credit component in the range of Rs. 5 -10 lakh, 2462 proposals (6 per cent) having credit component in the range of Rs. 10-25 lakh. Amount-wise, 33 per cent of guarantee cover was for loans below Rs.5 lakh, 23 per cent of the guarantee cover was extended to loans between Rs.5 lakh and Rs. 10 lakh, 44 percent of the guarantee cover was extended to loans between Rs.10 lakh and Rs.25 lakh. Slab-wise analysis of credit proposals approved under guarantee scheme is given in **Annexure IV**.
- 7. Auditors**
- 7.1 M/s. Bansilal Shah & Co., Mumbai, a firm of Chartered Accountants, has been appointed as internal auditors of CGTSI, for the FY 2005-06. The Auditors have undertaken a comprehensive review of the entire computer systems as also financial audit covering revenue expenses, investment and revenue income.
- 7.2 As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. H. C. Gupta & Co., Mumbai, a firm of

Chartered Accountants, as Statutory Auditors of CGTSI for the FY 2005-06.

8. Tax Exemption to CGTSI

As per the provisions of the Finance Bill introduced by the then 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). The tax exemption came to an end in FY 2005-06 and has not been extended for the future period.

9. Accounts

Income and Expenditure Account for the year ended March 31, 2006 and Balance Sheet as at March 31, 2006, together with the Auditors' Report are attached. During the FY 2005-06, the Trust earned income of Rs.9705 lakh, comprising mainly guarantee fee (Rs.900 lakh), annual service fee (Rs.403 lakh), and interest earned on investments (Rs.8402 lakh). Trust had incurred Rs.289 lakh towards various operational and administrative expenditures mainly comprising rent (Rs.37 lakh), advertisement and publicity expenses (Rs.1.02 lakh), IT services / web-hosting charges (Rs.8.82 lakh), Salary (Rs.29.89 lakh), service charge to SIDBI (Rs.10.52 lakh), traveling expenses (Rs.10 lakh), claims paid (Rs.110.35 lakh), prior period adjustment (Rs.44.38 lakh) and other office expenses. The provision for claims has been made at Rs.6437 lakh. The excess of income over expenditure was Rs.2979 lakh. The Trust follows accrual system of accounting in respect of 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 then internal auditors of the Trust had advised to reckon guarantee fee on cash basis. Hence, since FY 2002-03, Trust has reckoned the income of guarantee fee on cash basis.

The total investment of the Trust as at March 31, 2006 stood at Rs. 1333.47 crore as against Rs. 1017.73 crore as at the end of the previous year. The Trust is contingently liable in respect of the guarantee cover issued by it. During the year ended March 31, 2006, guarantee cover issued by the Trust was for Rs. 360.41 crore, taking the cumulative guarantee issued to Rs. 779.32 crore as on March 31, 2006.

10. Progress of Mutual Credit Guarantee Scheme

Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) formally launched MCGS on December 18, 2003 at International Symposium of Women Entrepreneurs on Innovation and Best Practices organised by ALEAP at Hyderabad. During the year changes were introduced in the scheme to bring it in line with the reduction in guarantee fee in CGS from 2.5% to 1.5%. Further, for calculation of ASF, amount guaranteed was made the basis in place of outstanding credit. A tripartite agreement was entered into by ALEAP Credit Guarantee Association (ACGA),

Andhra Bank and CGTSI in the FY 2004-05. A similar agreement with State Bank of Hyderabad to enhance the credit delivery to eligible units under MCGS is in the offing.

11. Management & Organisation

- 11.1 The Board of Trustees during FY 2005-06 comprised of 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 2005-06, three meetings of the Board were held.
- 11.2 CGTSI appreciates on record the support and cooperation received from Ministry of SSI, Office of DC (SSI), GoI, SIDBI, RBI, IBA, MLIs of CGTSI, and SSI Industry Associations.
- 11.3 As on March 31, 2006, seven officers including the 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 : New Delhi
Date : September 26, 2006

(N. Balasubramanian)
Chairman

ANNEXURE-I

**MLI - wise Guarantees Approved
as on March 31, 2006 (Cumulative)**

Sr. No.	MLI	No. of Proposals	Loan Amount (Rs. in Lakh)
1	Allahabad Bank	559	1465.28
2	Andhra Bank	331	812.25
3	Bank of Baroda	604	4129.16
4	Bank of India	1974	5677.80
5	Bank of Maharashtra	120	255.10
6	Canara Bank	9530	17697.54
7	Central Bank of India	1158	4606.96
8	Corporation Bank	475	2406.35
9	Dena Bank	438	1282.30
10	Godavari Grameena Bank	3	17.40
11	Indian Bank	485	1837.72
12	Indian Overseas Bank	541	1463.73
13	ING Vysya Bank Ltd	13	168.35
14	Jamuna Gramin Bank	27	8.64
15	NSIC Ltd.	179	1491.08
16	Oriental Bank of Commerce	208	1430.27
17	Punjab & Sind Bank	185	332.26
18	Punjab National Bank	6915	5841.95
19	Small Industries Development Bank of India	251	4926.35
20	State Bank of Bikaner & Jaipur	113	230.83
21	State Bank of Hyderabad	44	328.85
22	State Bank of India	7137	14511.83
23	State Bank of Indore	100	246.55
24	State Bank of Mysore	149	994.77
25	State Bank of Patiala	196	255.93
26	State Bank of Saurashtra	22	12.95
27	State Bank of Travancore	2021	2504.58
28	Syndicate Bank	489	3182.70
29	The Jammu & Kashmir Bank Ltd	364	154.10
30	The Nainital Bank Ltd.	11	65.91
31	The United Western Bank Ltd.	196	1191.52
32	UCO Bank	1643	6432.96
33	Union Bank of India	2803	7004.73
34	United Bank of India	1159	5985.70
35	UTI Bank Ltd.	9	114.80
36	Vijaya Bank	153	983.33
	Total	40605	100052.53

ANNEXURE - II

State-wise Guarantees Approved
as on March 31, 2006 (Cumulative)

Sr. No.	State Name	No. of Proposals	Loan Amount (Rs. in Lakh)
1	Andaman & Nicobar	10	13.99
2	Andhra Pradesh	2375	3838.42
3	Arunachal Pradesh	24	19.00
4	Assam	618	1558.83
5	Bihar	1397	1324.47
6	Chandigarh	73	521.85
7	Chhattisgarh	700	3563.34
8	Dadra & Nagar Haveli	8	47.00
9	Daman & Diu	12	122.25
10	Delhi	208	1825.65
11	Goa	90	331.14
12	Gujarat	653	4265.49
13	Haryana	830	2522.22
14	Himachal Pradesh	682	1189.64
15	Jammu & Kashmir	625	472.38
16	Jharkhand	1177	5558.28
17	Karnataka	3323	14562.50
18	Kerala	7609	9652.27
19	Madhya Pradesh	1955	5450.04
20	Maharashtra	1117	7035.94
21	Manipur	77	95.89
22	Meghalaya	21	152.80
23	Mizoram	42	53.85
24	Nagaland	17	91.46
25	Orissa	1512	2555.34
26	Pondicherry	40	219.04
27	Punjab	888	1961.65
28	Rajasthan	681	1581.42
29	Sikkim	38	120.87
30	Tamil Nadu	3276	13289.62
31	Tripura	53	72.69
32	Uttar Pradesh	7799	7508.89
33	Uttaranchal	78	340.17
34	West Bengal	2597	8134.14
	Total	40605	100052.53

ANNEXURE - III

Sector - wise Guarantee Approvals
as on March 31, 2006 (Cumulative)

Sr. No.	Sector Name	No. of Proposals	Loan amount (Rs. lakh)
1	Basic Metal Industries	932	4,188.44
2	Beverages, Tobacco etc.	62	136.51
3	Chemicals etc.	370	2,312.52
4	Cotton Textiles	140	797.18
5	Electrical Machinery	548	2,063.36
6	Food Products	4052	8,024.60
7	Information Technology	546	2,001.42
8	Jute Textiles	92	156.02
9	Leather And Fur Products	397	845.65
10	Metal Products	2009	8,130.12
11	Non-Electrical Machinery, Tools and Parts	68	562.44
12	Non-Metallic Products	724	2,955.72
13	Paper And Printing	900	3,819.42
14	Repairing Services Except Capital Goods	954	623.03
15	Repairing Services For Capital Goods	72	110.10
16	Rubber, Petroleum etc.	51	310.13
17	Services(Industry Related)	1529	3,869.58
18	Software	62	349.22
19	Textile Products	2747	5,699.28
20	Transport Equipment	24	178.37
21	Wood Furniture	2255	2,509.47
22	Wool, Silk etc.	771	442.73
23	Other Manufacturing	21300	49,967.22
	Total	40605	100052.53

ANNEXURE - IV

Slab-wise Guarantee Approvals
as on March 31, 2006

Sr. No.	Range (Rs.)	Cumulative	
		No. of proposals	Guarantee Cover Approved (Rs. in lakh)
1	Upto 1,00,000	27743	11,278.81
2	100,001 to 200,000	3239	5,461.11
3	200,001 to 5,00,000	4296	16,319.14
4	5,00,001 to 10,00,000	2865	22,782.64
5	10,00,001 to 25,00,000	2462	44,210.83
	Total	40605	100,052.53

AUDITOR'S 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, 2006 and also the Income and Expenditure Account for the year ended on that date annexed thereto:

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

We report that:

- 1) Sundry Account of Rs 60,60,126 relating to unknown credit out of which Rs. 35,59,646 pertains to year ended on 31/03/2006 has been shown as a Current Liability. We are of the opinion that the Enterprise has no liability to repay the same as there is no present obligation to refund the same. Further there is no probable outflow of resources & there is no reliable estimate as prescribed under AS 29. Accordingly this should be treated as income instead of 'Current Liability'. Hence the income is understated to the extent of Rs 35,59,646/-.
- 2) The reconciliation of total number of guaranteed accounts as on March 31, 2006 vis-à-vis the number of accounts as on March 31, 2005 could not be considered for scrutiny as it was informed by the Trust that the figures are dynamic. Further a few of the existing guaranteed accounts are closed by the Trust on the insistence of the MLI's themselves or due to non-remittance of Annual Service Fee etc. Hence it is not possible for us to verify the same.
- 3) Cash Flow statements are not prepared by the trust.

Subject to the above we 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 dealt with by this report are in agreement with the books of accounts.
- 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 Balance Sheet, of the state of affairs of the Trust as at March 31, 2006 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 H. C. Gupta & Co.
Chartered Accountants

Place : New Delhi
Date : September 26, 2006

T. H. Gupta
(Partner)

**BALANCE SHEET
AS ON MARCH 31, 2006**

Particulars	Schedules	As on 31.03.2006 (Rs.)	As on 31.03.2005 (Rs.)
Sources of Funds			
Corpus Fund	1	11,815,562,500.00	9,315,562,500.00
Reserves & Surplus	2	1,199,979,289.00	901,999,876.00
Current Liabilities & Provisions	3	1,574,027,870.00	921,637,955.00
Total		<u>14,589,569,659.00</u>	<u>11,139,200,331.00</u>
Application of Funds			
Fixed Assets			
Computer	288,188		
Less Depreciation	288,181	7.00	
Furniture & Fixture	38,000		
Less Depreciation	37,999	1.00	0.00
Electrical Items	15,950		
Less Depreciation	7,975	7,975.00	
		7,983.00	
Investments	4	13,334,688,757.00	10,177,321,057.00
Current Assets, Loans & Advances			
Cash in hand		2,340.00	4,686.00
Bank Balance	5	1,621,540.00	1,242,224.00
Accrued Income	6	1,252,936,352.00	958,357,176.00
Receivables	7	55,588.00	2,270,188.00
Advance FBT		168,300.00	0.00
Advance for Expenses	7	88,799.00	5,000.00
Total		<u>14,589,569,659.00</u>	<u>11,139,200,331.00</u>
Notes forming part of Accounts	9		
Significant accounting Policies	10		

As per our Report of even date attached

For H. C. Gupta & Co.
Chartered Accountants

On behalf of the Board of Trustees

(T. H. Gupta)
Partner

(N. Balasubramanian)
Chairman

Place : New Delhi
Date : September 26, 2006

(Jawhar Sircar)
Vice Chairman

(S. L. Choudhury)
Member Secretary

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2006**

Particulars	Schedules	Amount (Rs.) 2005-06	Amount (Rs.) 2004-05
INCOME			
Interest on Investments		840,148,947.00	678,975,188.00
Guarantee Commission		90,021,414.00	65,784,611.00
Annual Service Fee		40,303,617.00	20,480,852.00
Miscellaneous Receipts		25,491.00	9,358.00
Penal interest income		0.00	27,413.00
		<u>970,499,469.00</u>	<u>765,277,422.00</u>
EXPENDITURE			
Operating and other Administrative Expenses	8	28,853,056.00	18,715,969.00
EXCESS OF INCOME OVER EXPENDITURE		941,646,413.00	746,561,453.00
Provisions for Guarantee claims		643,667,000.00	477,100,000.00
Excess of Income over Expenditure		<u>297,979,413.00</u>	<u>269,461,453.00</u>
Carried to Balance sheet			

As per our Report of even date attached

For H. C. Gupta & Co.
Chartered Accountants

On behalf of the Board of Trustees

(T. H. Gupta)
Partner

(N. Balasubramanian)
Chairman

Place : New Delhi
Date : September 26, 2006

(Jawhar Sircar)
Vice Chairman

(S. L. Choudhury)
Member Secretary

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

	As on 31.03.2006 (Rs.)	As on 31.03.2005 (Rs.)
Schedule : 1		
Corpus Fund		
Received from :		
Government of India	9,452,450,000.00	7,452,450,000.00
SIDBI	2,363,112,500.00	1,863,112,500.00
	11,815,562,500.00	9,315,562,500.00
Schedule : 2		
Reserves & Surplus		
Income & Expenditure Account		
Opening Balance	901,999,876.00	632,538,423.00
Add: Excess of Income over Expenditure for the current year	297,979,413.00	269,461,453.00
	1,199,979,289.00	901,999,876.00
Schedule : 3		
Current Liabilities and Provisions		
Provisions for Guarantee claims made in the previous year	917,100,000.00	440,000,000.00
Provision for Guarantee Claims	643,667,000.00	477,100,000.00
Guarantee Fee Refundable	212,195.00	0.00
Provision for Outstanding Liabilities	266,804.00	261,815.00
Annual Services Fee Received in Excess Refundable	1,789,380.00	1,289,862.00
Claim outstanding	21,500.00	21,500.00
Amount Reimbursable To SIDBI	4,455,410.00	464,298.00
Sundry Liabilities	6,060,126.00	2,500,480.00
Unclaimed Liability on A/c of State Cheque	235,455.00	0.00
Provision for FBT	220,000.00	0.00
	1,574,027,870.00	921,637,955.00
Schedule : 4		
Investments		
Investment in Bonds	0.00	300,000,000.00
Investment in Fixed Deposits	13,334,688,757.00	9,877,321,057.00
	13,334,688,757.00	10,177,321,057.00
Schedule : 5		
Bank Balance		
Current Account with:		
State Bank of India	21,552.00	342,255.00
HDFC Bank Ltd.	66,514.00	49,126.00
IDBI Bank Ltd.	1,482,345.00	738,089.00
Punjab National Bank	51,129.00	112,754.00
	1,621,540.00	1,242,224.00
Schedule : 6		
Accrued Income		
Service Fee	40,303,617.00	20,534,893.00
Interest on Investments	1,212,632,735.00	937,822,283.00
	1,252,936,352.00	958,357,176.00

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	As on 31.03.2006 (Rs.)	As on 31.03.2005 (Rs.)
Schedule : 7		
Receivables		
Amount recoverable from other organisation	0.00	26,450.00
Amount recoverable from SIDBI	0.00	2,098,961.00
ASF Receivable	55,588.00	144,777.00
Prepaid Expenses	88,799.00	0.00
	144,387.00	2,270,188.00
Schedule : 8		
Operating and Other Administrative Expenses		
Advertisement & Publicity Expenses	102,000.00	254,325.00
Audit Fee	61,460.00	23,690.00
Bank Charges	19,641.00	1,059.00
Board Meeting Expenses	0.00	120,944.00
Car Hire Charges	170,116.00	326,079.00
Claims Paid	11,034,935.00	5,118,673.00
Courier/Postage Charges	63,535.00	92,591.00
Depreciation	334,155.00	0.00
FBT	220,000.00	0.00
Fee Paid to Consultant	5,000.00	0.00
Insurance Charges	6,314.00	0.00
Internal Auditors Fee	88,160.00	44,080.00
IT service	278,515.00	766,947.00
Miscellaneous Expenses	32,183.00	6,497.00
National Advisory Committee Expenses	0.00	118,686.00
Office Expenses	1,144,844.00	773,329.00
Printing & Stationery	115,879.00	298,367.00
Reimb of Expenditure to Employees	1,122,752.00	1,118,940.00
Rent	3,708,265.00	3,234,876.00
Salaries & Allowances to employees	2,988,889.00	3,424,897.00
Seminar & Meeting Expenses	102,613.00	89,639.00
Service Charges paid to SIDBI	1,052,296.00	1,587,961.00
Stationery Expenses and Computer Consumables	53,472.00	74,151.00
Survey Charges	0.00	240,000.00
TDS Penalty	0.00	1,209.00
Telephone Expenses	99,913.00	13,984.00
Travelling Expenses	1,007,146.00	881,095.00
Web Hosting / ISDN / LSD Line Charges	603,345.00	103,950.00
Prior period adjustment account	4,437,628.00	0.00
	28,853,056.00	18,715,969.00

**SCHEDULES FORMING PART OF THE BALANCE SHEET
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Schedule : 9**NOTES forming part of ACCOUNTS:**

1. The total claims received by the Trust from MLIs upto March 31, 2006 are 215 for the aggregate claim amount of Rs. 3,32,13,321.40 against which the Trust had settled claims against 162 units for the amount of Rs. 1,64,07,112.00. The remaining claim applications involving amount of Rs. 1,68,06,209.40 are pending for settlement for various reasons, like initiation of legal proceedings etc.
2. The Trust has provided Guarantee cover during the year to the tune of Rs.360,40,91,428/- (previous year Rs.251,83,00,000) for the credit facility extended by the MLIs to various Small Scale Industries/SSSBE(IR) units.
3. As per the memorandum of Understanding entered into between SIDBI and the Trust on October 04, 2001, the Trust makes the payment of 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.
4. Guarantee commission fee received during FY 2005-06 is Rs. 9,00,21,414. As against this the actual Guarantee cover issued during the FY 2005-2006 is Rs.360,40,91,428/- against guarantee fee received amounting to Rs.8,74,02,856/-. Guarantee covers against balance amount of guarantee fee received amounting Rs26,18,558/- are yet to be issued.
5. The Sundry Liabilities Account is having a balance of Rs. 60,60,126/- as on March 31, 2006. This account consist of those entries that remain unidentified due to direct credits by the MLIs offices/branches in the collecting banks of the Trust without providing any information relating to purpose of remittance i.e. guarantee commission or Annual Service Fee.
6. Since the amount of rent and other charges payable to SIDBI for providing premises were yet to be finalised, no provision for rent and other related charges were made for the remaining period of the financial year i.e. from January 24, 2006 to March 31, 2006.
7. 1702 guarantee covers are to be cancelled on account of various reasons for e.g. as per advice of MLIs, non-receipt of Annual Service Fee, etc. They are not considered for the purpose of Annual Service Fee and Claim provision for the year FY 2005-2006.
8. Annual Service Fees
 - a) Annual Service Fee receivables includes Rs. 95.25 pertaining to FY 2002-2003, Rs. 55,493.00 for FY 2003-04.
 - b) Annual Service Fee refundable includes Rs. 4590.00 pertaining to FY 2002-2003, Rs. 3,31,965.00 for FY 2003-04 and Rs. 14,52,824.75 for FY 2004-2005.
9. Prior period Items
 - a) Provision for rent of Rs.8,25,390.00 for FY 2004-2005, provision for of Rs.30,156.00 as Society outgoings and provision for additional (increased) property tax of Rs.3,90,301/-, Rs.4,76,454/- and Rs.6,50,705/- for FY 2002-2003, FY 2003-2004 and FY 2004-2005 respectively.
 - b) Additional provision amounting Rs.22,110.00 for ASF-2005 was made due to appropriation of Guarantee Fee received for FY 2004-2005.
 - c) ASF amounting Rs.20,53,500.94 for ASF - 2005 which was not received for which provision was made on March 31, 2005 has been reversed.

**SCHEDULES FORMING PART OF THE BALANCE SHEET
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- d) ASF refundable amounting Rs. 11,822/- pertaining to FY 2003-2004 was made for which no provision was made.
- e) ASF receivable amounting Rs.6,733/- pertaining to FY 2002-2003 and Rs.13,629/- pertaining to FY 2003-2004 now reversed since these were found not receivable.
- f) ASF receivable amounting Rs.1,047/- pertaining to FY 2003-2004 now reversed since the amount has already been received during FY 2004-2005.

Schedule : 10

Significant Accounting Policies

1. Accounting Conventions

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

2. Recognition of Income and Expenditure

The Trust follows the cash basis of accounting in respect of Guarantee Commission and accrual basis for Annual Service Fee and Investment Income. Interest accrued on FD is calculated on compounding on a quarterly/yearly basis as applicable.

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, 2006

5. Contingent Liabilities

The trust is contingently liable for guarantee not issued against which guarantee fee of Rs. 26,18,558.00 has been received. No provision for the same has been made.

6. Fixed Assets

Fixed assets have been stated at cost less depreciation. Rate of depreciation is taken at 100% on Computer, Furniture and fixture and 50% on Electrical appliances.

7. Retirement Benefits

Retirements benefits are provided by SIDBI for its employees on deputation to CGTSI.

As per our Report of even date attached

For H. C. Gupta & Co.
Chartered Accountants

On behalf of the Board of Trustees

(T. H. Gupta)
Partner

(N. Balasubramanian)
Chairman

Place : New Delhi
Date : September 26, 2006

(Jawhar Sircar)
Vice Chairman

(S. L. Choudhury)
Member Secretary