

# GIVING WINGS TO YOUR DREAMS







# UNSHACKLING THE POTENTIAL OF MSEs

The economic and social significance of Micro and Small Enterprises (MSEs) to the country is a well acknowledged fact. However, unleashing the true potential of the sector is only possible by enabling commensurate credit flow.

In a country where lack of collaterals is a challenge for MSEs, CGTMSE as the facilitator of collateral free credit, unshackles the potential of MSEs and lends wings to their dreams. CGTMSE stays committed to conversion of bankable business ideas of millions of youth, enabling growth of fledglings to enterprises, catalysing financial inclusion and fostering economic growth.

**GIVING WINGS**  
TO YOUR DREAMS

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# LETTER OF TRANSMITTAL

Credit Guarantee Fund Trust for Micro and Small Enterprises  
Swavalamban Bhavan, SIDBI, 7<sup>th</sup> Floor  
C-11, G Block, Bandra Kurla Complex  
Bandra (East), Mumbai – 400 051

June 13, 2019

To  
The Additional Secretary & Development Commissioner (MSME)  
Ministry of Micro, Small and Medium Enterprises  
Government of India  
Office of the Development Commissioner (MSME)  
Nirman Bhavan, 7<sup>th</sup> Floor, "A" Wing  
Maulana Azad Road  
New Delhi – 110 108

The Chairman and Managing Director  
Small Industries Development Bank of India  
Head Office, SIDBI Tower, 15, Ashok Marg  
Lucknow – 226 001

Dear Sir,

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:

- (i) A copy of audited accounts of the Trust for the financial year ended March 31, 2019 together with Auditor's Report, and
- (ii) A copy of the report on the working of Credit Guarantee Fund Trust for Micro and Small Enterprises for the period ended March 31, 2019.

Yours faithfully,

Sd/-  
Chief Executive Officer

Place: Mumbai

# MESSAGE FROM CHAIRMAN



I report, with pleasure and pride that FY 2019 has been a momentous year in the history of CGTMSE in terms of operational performance and outreach to the MSE sector. The coverage under the CGS has crossed yet another milestone in FY 2019 by approving guarantees for an aggregate loan amount of ₹30,168 crore recording a growth of 58% compared with the previous fiscal. This is the highest ever guarantee approvals recorded since inception. The number of guarantees approved during FY 2019 increased to 4.36 lakh from 2.63 lakh in FY 2018 recording an increase of 66%.

The Member Lending Institution base has been widened with the successful onboarding of NBFCs, thereby deepening the reach in the MSE sector. It is heartening to note that during FY 2019, NBFCs availed guarantees amounting to ₹5,964 crore.

During the year, CGTMSE introduced two new products, viz. Credit Guarantee cover for loans to Retail Trade and coverage under Hybrid/Partial Security. The offtake under these products in the first year of operation has been significant with the approved guarantees standing at ₹2,931 crore.

The Trust had the privilege of hosting the 31<sup>st</sup> Asian Credit Supplementation Institutions Confederation (ACSIC) Conference during the year, in Udaipur, which was a congregation of over 100 delegates from 13 Credit Guarantee Organisations across 9 countries. Hosted with the intent to study and adopt best practices of Credit Guarantee Organisations across Asia, the event witnessed deliberations around the theme of 'Credit Guarantee : A Vehicle for Inclusive Growth'. The efforts of CGTMSE at inclusive designing of the guarantee products, facilitating access to finance to MSE entrepreneurs and the socio-economic impact

“58% Increase in Guarantees Approved. Highest ever recorded guarantee approvals since inception”

achieved by it during its 19-year journey, were lauded by its international peers.

The operational performance of CGTMSE in the recent past, has been the outcome of a host of policy and product enhancements, as well as process improvements resulting out of the continuous business re-engineering efforts. It reflects the transformation of CGTMSE into an Institution which is customer-centric, constantly innovating and aligning itself to global best practices. The future strategy would continue to be guided by the aforesaid philosophy, while maintaining its staunch commitment to facilitate access to credit resulting in building enterprises and itself emerging as a sustainable organisation.

I am grateful to Ministry of MSME, Govt. of India, the Reserve Bank of India, Indian Banks' Association

and the Small Industries Development Bank of India for their valuable, timely and continuous support in the endeavour of CGTMSE for creating an enabling environment for the MSE sector. I would also like to express my appreciation for the co-operation extended by the MLIs as well as all partner institutions of CGTMSE for their dedicated efforts and support to upscale the operations of CGTMSE.

With regards,

Sd/-

**Mohammad Mustafa, I.A.S.**

Chairman, CGTMSE

# BOARD OF TRUSTEES OF CGTMSE

(Status as on September 01, 2019)



**Shri Mohammad Mustafa, I.A.S., Chairman (Ex-Officio)**

Chairman & Managing Director  
Small Industries Development Bank of India



**Shri Ram Mohan Mishra, I.A.S., Vice-Chairman (Ex-Officio)**

Additional Secretary and Development Commissioner  
Ministry of MSME, Government of India



**Shri Sunil Mehta, Member (Ex-Officio)**

Chairman, Indian Banks' Association (IBA)  
Managing Director and Chief Executive Officer  
Punjab National Bank



**Shri Y. Venugopal Rao, Member Secretary**

Chief Executive Officer  
Credit Guarantee Fund Trust for Micro and Small Enterprises

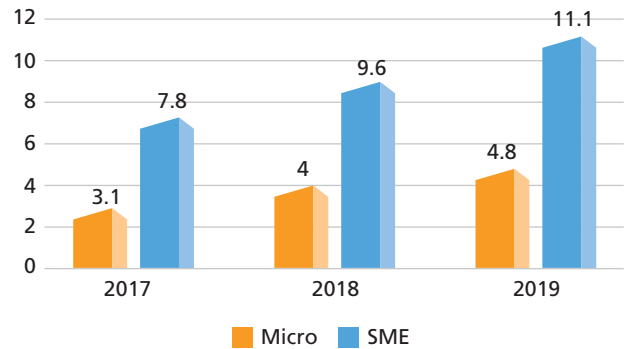


# DRIVING MSE GROWTH - CREDIT GUARANTEES

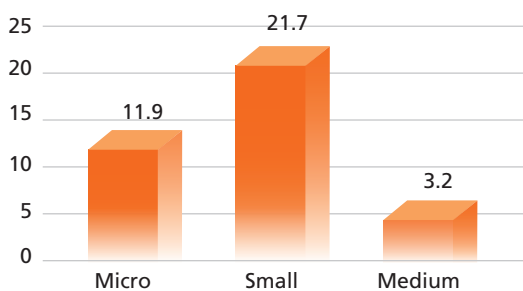
## MSME Credit – where it stands

The commercial credit exposure at ₹4.8 lakh crore and ₹11.1 lakh crore in respect of Micro and SME segments, account for around 24.9% of the commercial credit outstanding as at the end of March 2019. The said share of Micro and SME sectors in commercial credit has a substantial scope to upscale, given the contribution of 29% to GDP and 49% to exports.

Credit Exposure of MSMEs (In ₹ Lakh crore)



Addressable debt demand in MSMEs (In ₹ Lakh crore)



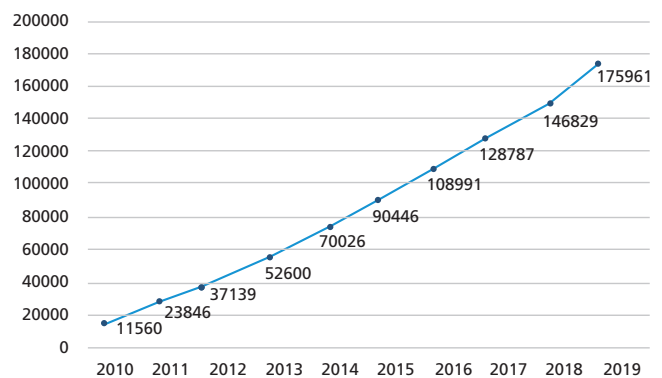
## MSE Credit – where it can be

The addressable debt demand from Micro and Small segments stands at around ₹11.9 lakh crore and ₹21.7 lakh crore respectively, evidencing the well-acknowledged demand-supply gap scenario in the sector. Addressing the credit gap would enable the sector to substantially enhance their contribution to the economy.

## MSE Credit – Credit Guarantee Support

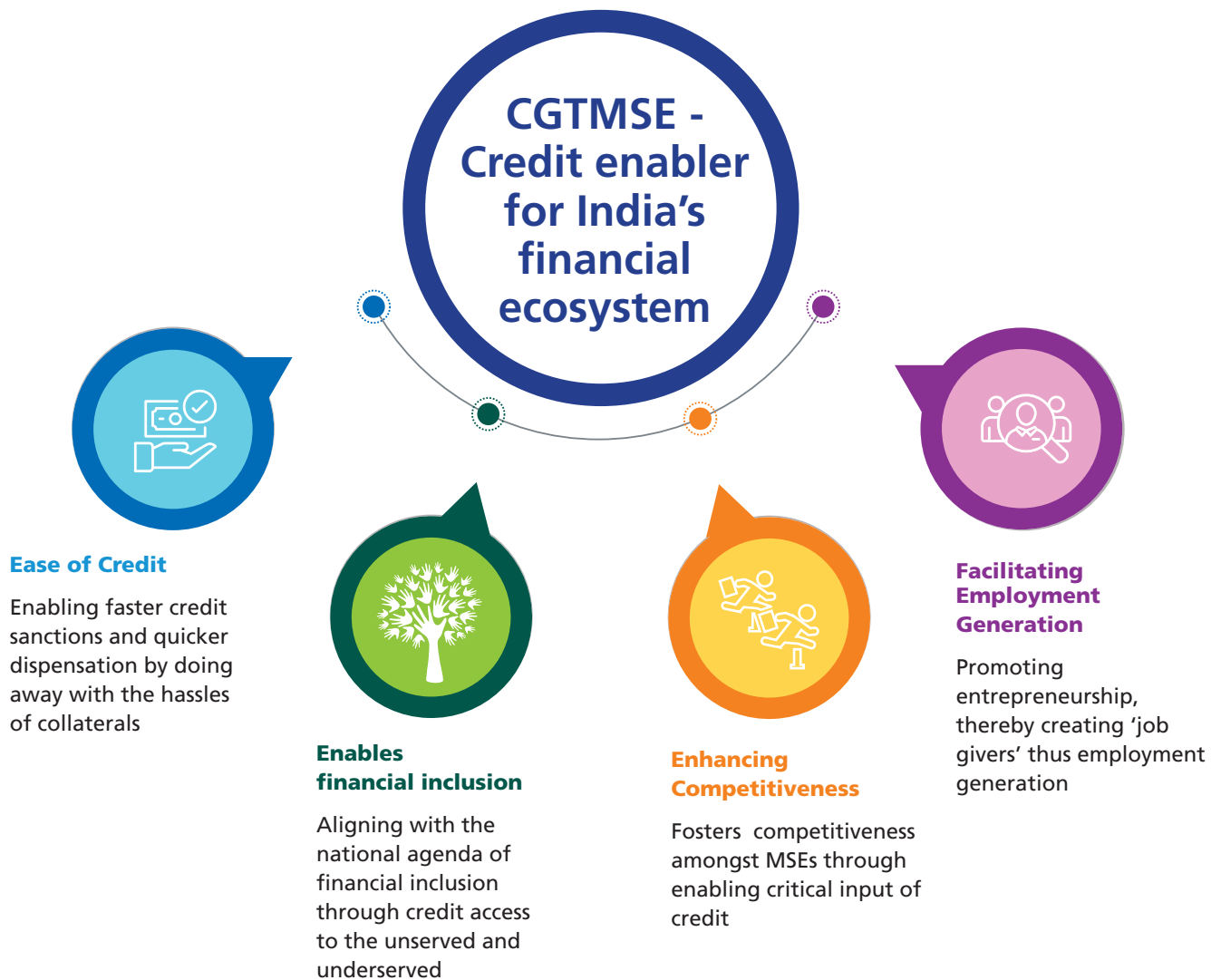
Given the collateral constraints which the MSE sector is known to face, Credit Guarantee has emerged a time tested tool across the globe to drive credit flow to the sector. Addressing the credit gap would to a large extent be a factor of enhanced credit guarantee support. The impact of enhancements to the credit guarantee products with changing needs of the sector is evident from the upswing in the credit guarantee flow shown by CGTMSE in FY 2019. The Trust would continue to strengthen its role in boosting credit flow to the MSE sector and thereby play a significant role in the journey of the Indian economy.

Cumulative Guarantees Approved Amount (₹ crore)



Source : Intelcap Report / MSME Pulse Report

# CGTMSE - A TOOL TO PROMOTE MSE GROWTH AND INNOVATION

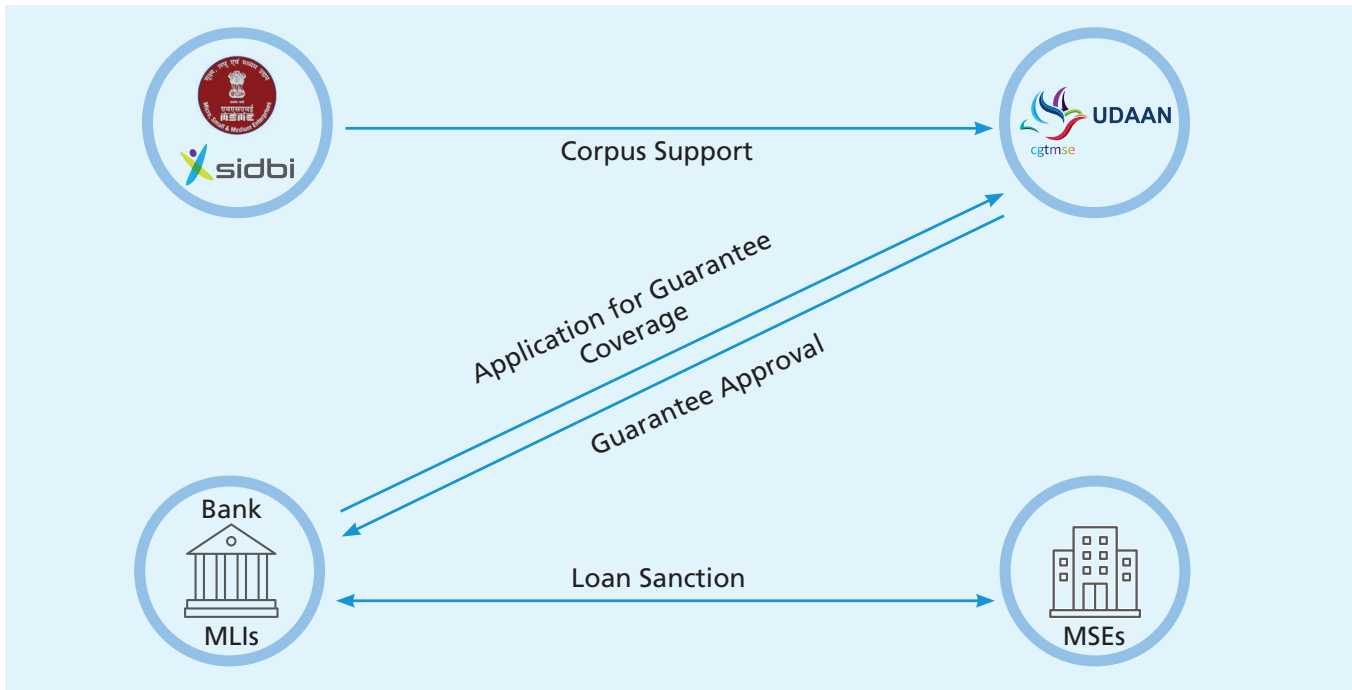


## CGTMSE - Facilitating institutional credit flow to MSE sector

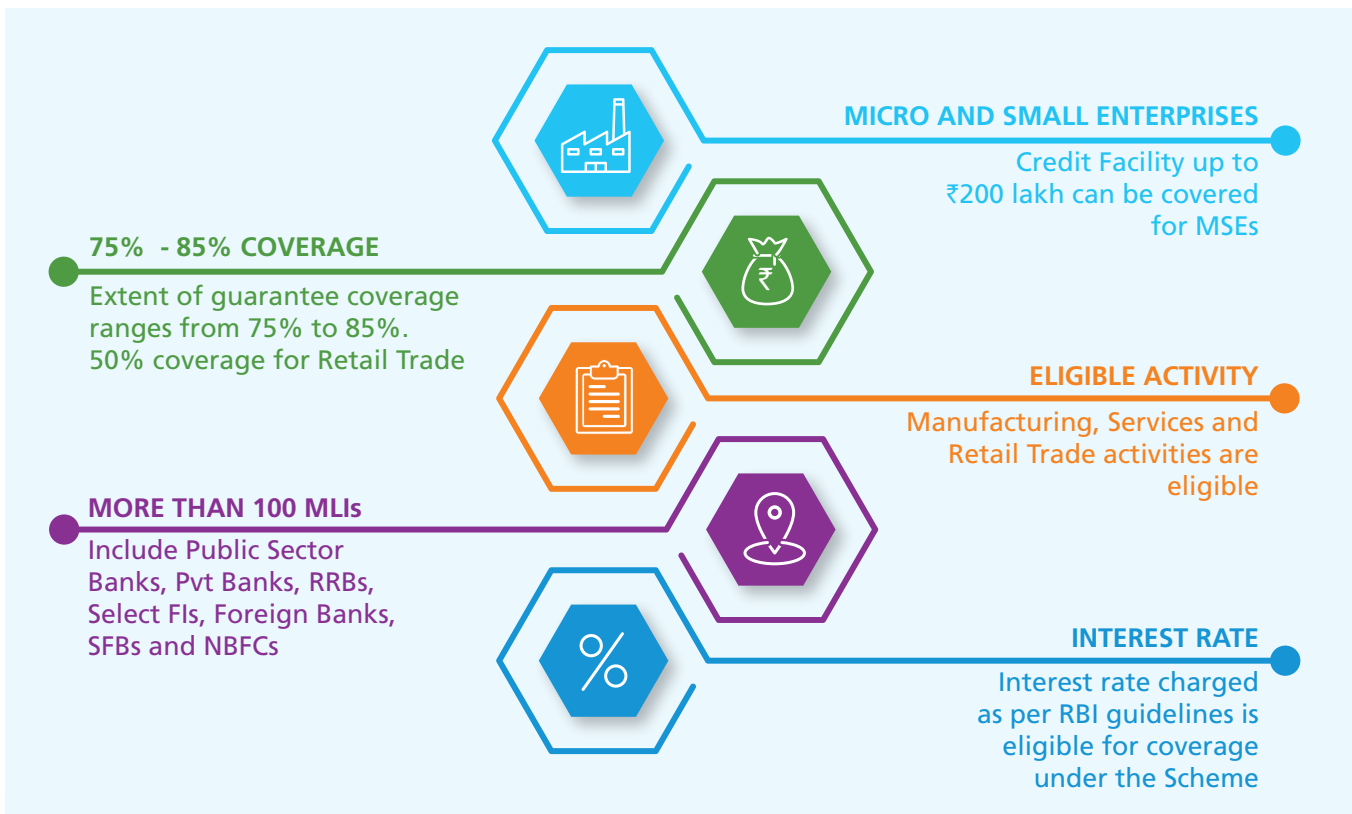
Credit Guarantee Scheme has over the years emerged as a successful tool in facilitating MSEs access to formal credit sources. The Scheme attempts to reorient the lenders perspective from collateral based lending to project liability. CGTMSE has

been able to instil confidence and encourage MLIs to enhance credit flow to MSEs, backed by the comfort of guarantee cover. Considering that the Scheme is exclusively focussed on the MSE sector which is the backbone of the Indian economy, the positive externalities in terms of contribution to GDP and employment generation is immense.

# CGTMSE - FRAMEWORK



## SALIENT FEATURES



# MAJOR POLICY INITIATIVES

CGTMSE introduced the following major policy changes which made the Credit Guarantee Scheme (CGS) more attractive to MSEs and MLIs that would enable the increased credit flow to MSE Sector:

## Increase in the extent of guarantee coverage

For proposals above ₹50 lakh, guarantee coverage has been increased to 75% from existing 50%.

## Charging of fee on outstanding loan instead of sanction amount

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

## Inclusion of MSE retail trade as eligible activity

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

## Allowing partial collateral security

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

## Introduction of payout caps

In order to create sustainability of the Trust, cap on total claim settlement introduced, based on the fee and recovery remitted by the MLI during an year.



# OVERVIEW OF CGTMSE

# OPERATIONAL HIGHLIGHTS - FY 2019

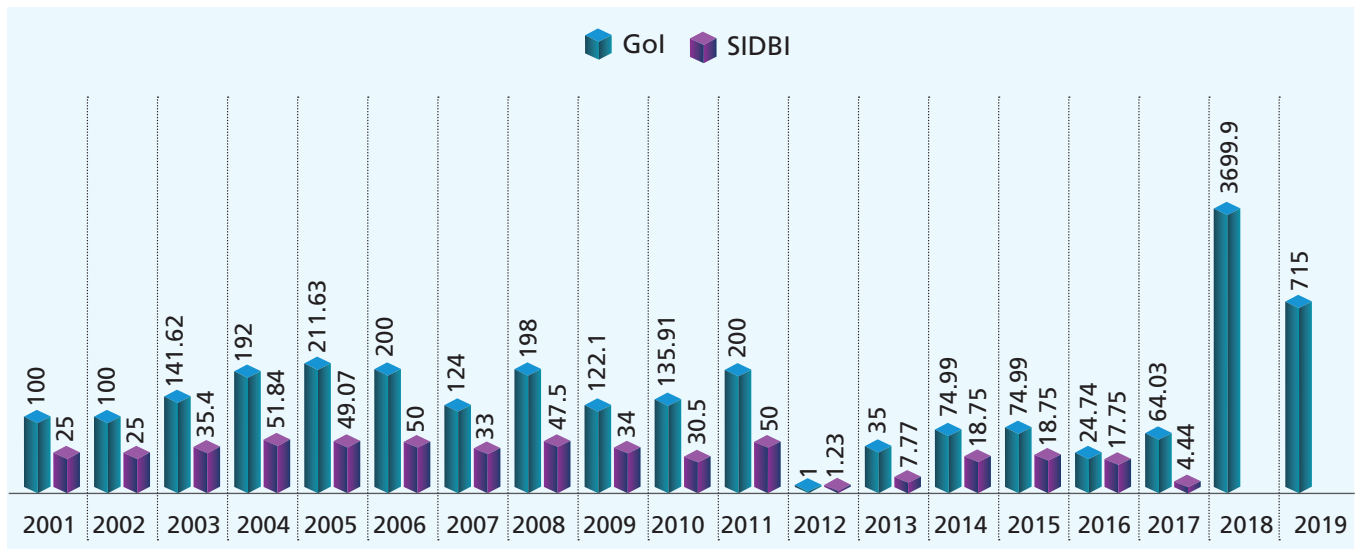


# PERFORMANCE SNAPSHOT FOR FY 2019

## 1. Corpus Fund of CGTMSE

The initial corpus fund of ₹2,500 crore of the Trust was contributed by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. During FY 2019, the Trust received ₹715 crore towards

Corpus contributed by GoI, taking the aggregate corpus amount of individual contributions of GoI and SIDBI to ₹6,414.90 crore and ₹500.00 crore respectively. Thus, as on March 31, 2019, the total contributed Corpus was ₹6,914.90 crore. Year wise corpus contribution is given below:



## 2. Member Lending Institutions (MLIs)

During the period under review, CGTMSE included Small Finance Banks as Member Lending Institutions (MLIs). The overall number of MLIs of the Trust is 116 where, 21 Public Sector Banks, 19 Private Sector Banks, 51 Regional

Rural Banks, 5 Foreign Banks, 9 other Financial Institutions (5 SFCs and 4 FIs), 8 Non-Banking Financial Companies and 3 Small Finance Banks are registered MLIs for availing guarantee cover from the Trust.

### 2.1 During the year, following are the top performing MLIs:

Sr. No.	Public Sector Banks
1	STATE BANK OF INDIA
2	BANK OF INDIA
3	BANK OF BARODA
4	CANARA BANK
5	SYNDICATE BANK
6	INDIAN OVERSEAS BANK
7	ORIENTAL BANK OF COMMERCE
8	UNION BANK OF INDIA
9	PUNJAB NATIONAL BANK
10	ALLAHABAD BANK

Sr. No.	Private Sector Banks / Foreign Banks
1	HDFC BANK LIMITED
2	YES BANK LTD
3	AXIS BANK LIMITED
4	THE JAMMU & KASHMIR BANK LTD
5	STANDARD CHARTERED BANK

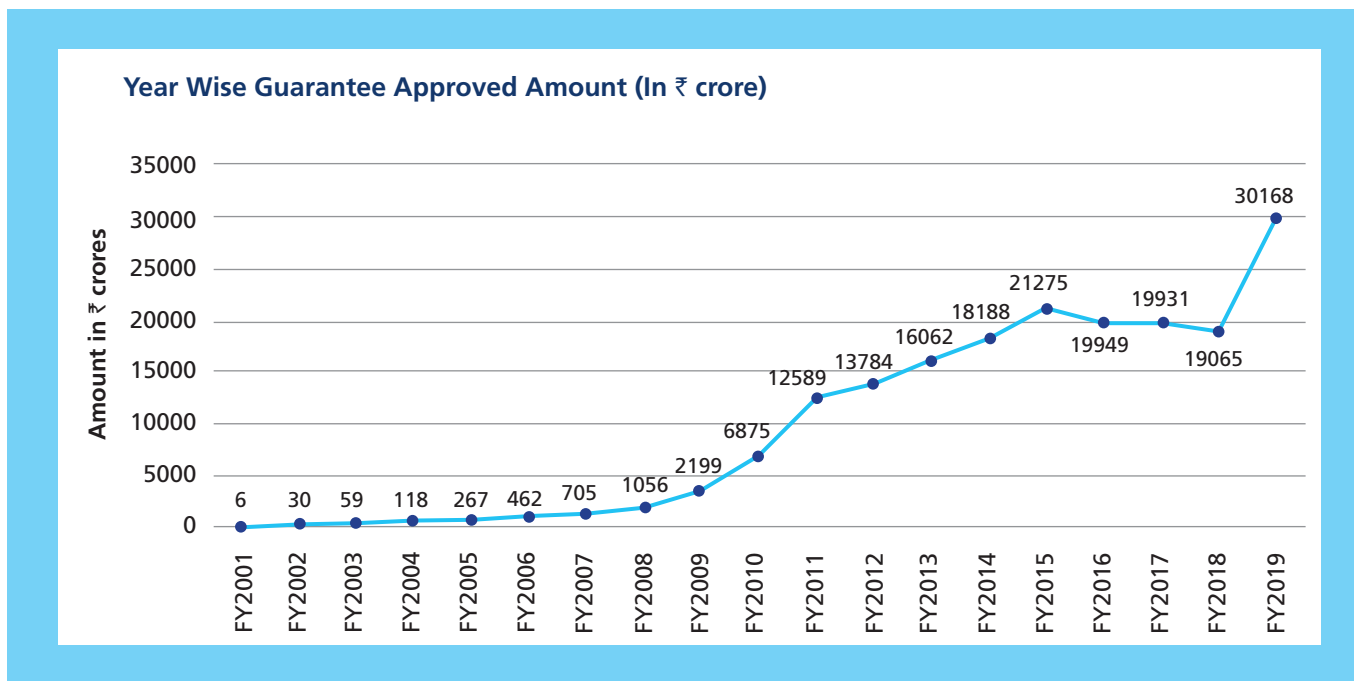
Sr. No.	Small Finance Banks
1	EQUITAS SMALL FINANCE BANK LIMITED
2	AU SMALL FINANCE BANK LIMITED

Sr. No.	Non-Banking Finance Companies
1	TATA MOTORS FINANCE LIMITED
2	MAGMA FINCORP LIMITED
3	TATA CAPITAL FINANCIAL SERVICES LIMITED
4	ECL FINANCE LIMITED



### 3. Operations under CGS

3.1 As at end of March 31, 2019, there were 97 active MLIs which were availing guarantee cover. The graph shows year-wise guarantee approvals from inception till March 31, 2019:

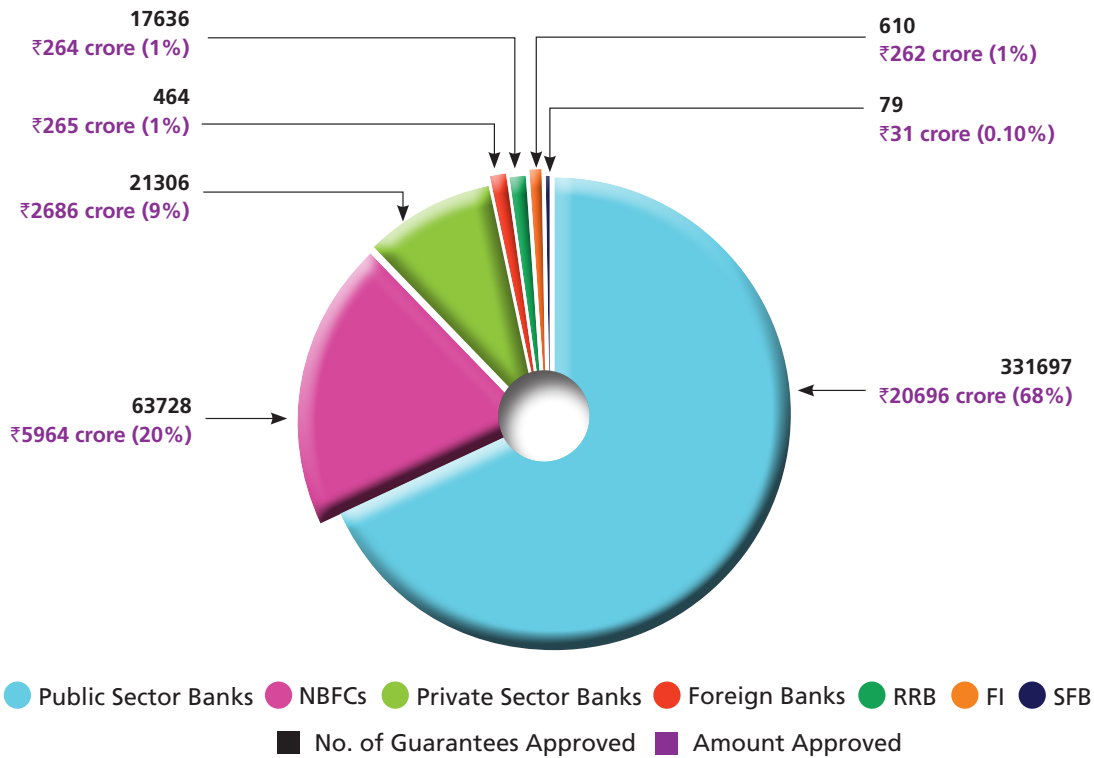


3.2 During FY 2018-19, a total of 4,35,520 guarantees were approved for an amount of ₹30,168 crore as compared to approval of 2,63,195 guarantees for ₹19,066 crore in the previous

year. Cumulatively, as at March 31, 2019, a total of 34,60,432 accounts have been accorded guarantee approvals for ₹1,75,961 crore.



3.3 Guarantee coverage in FY 2019 – MLIs' Category wise

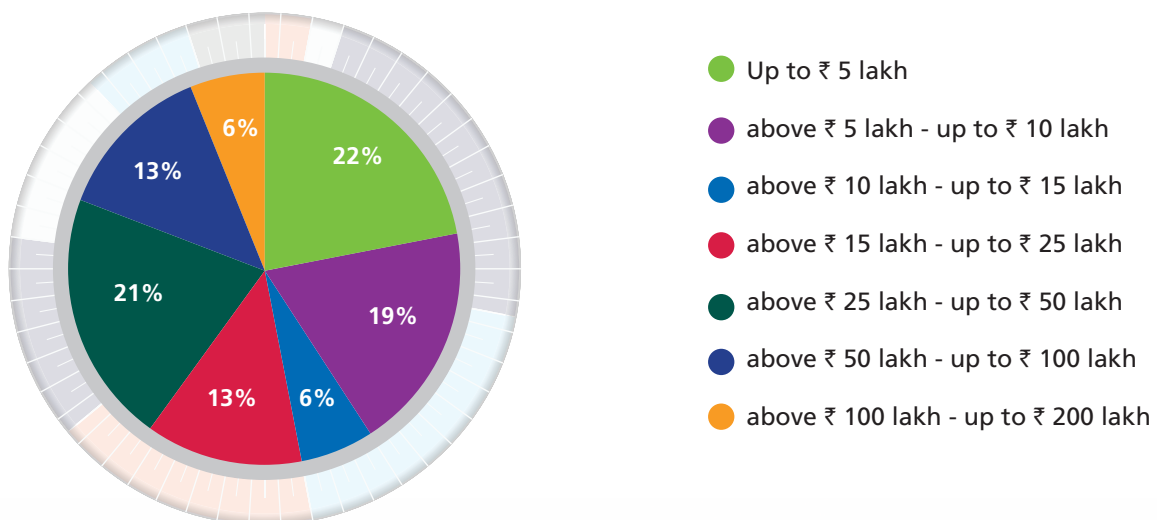


3.4 Slab-wise Coverage

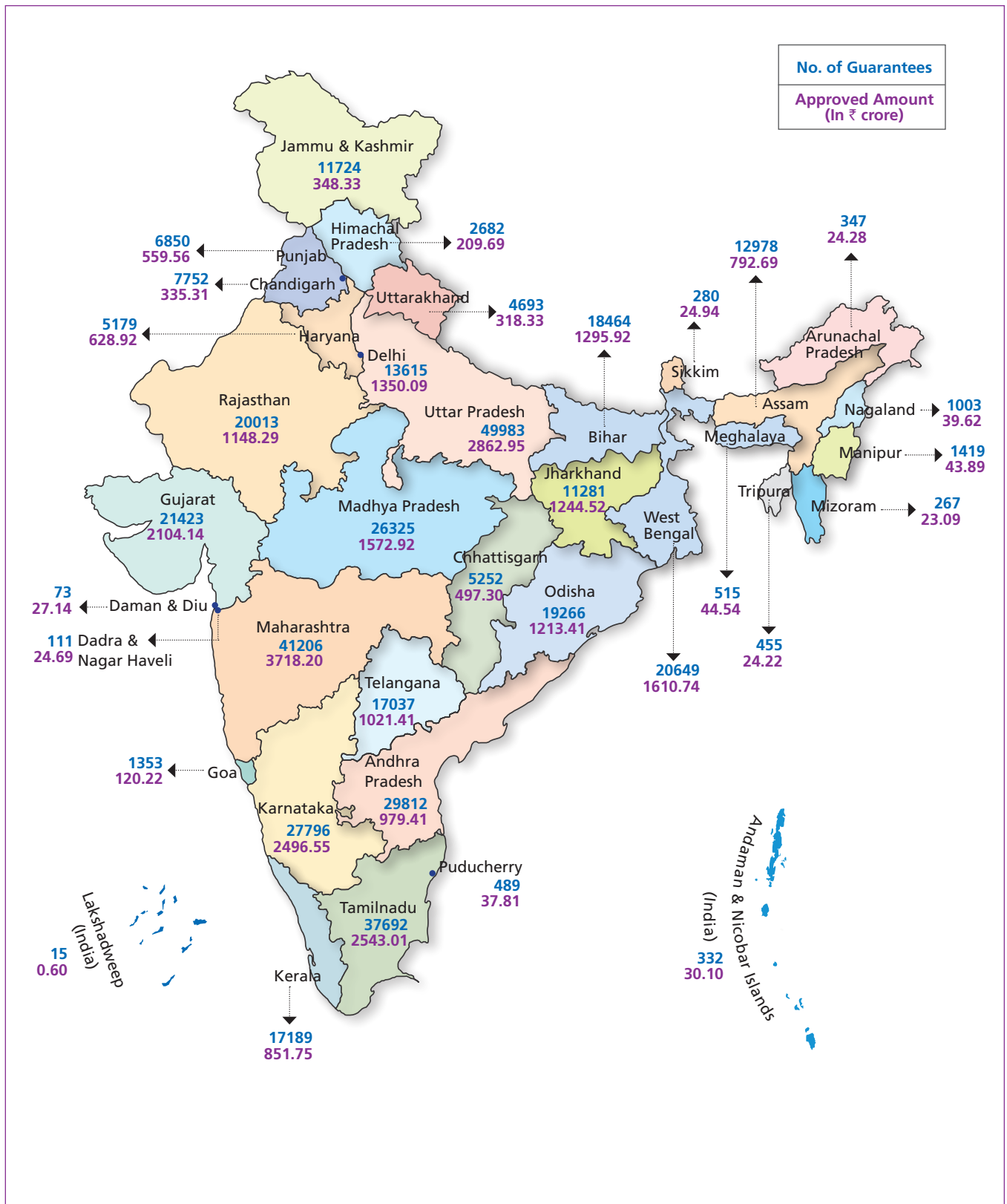
Of the 4,35,520 proposals for ₹30168 Crore approved in FY 2019, proposals for an amount of ₹6,638 crore (22%) pertained to credit facilities up to ₹5 lakh, proposals for an amount of ₹5,669 Crore (19%) are having credit facilities in the range of ₹5 - 10 lakh, proposals for an amount of ₹1,895 Crore (6%) are in the range of

₹10 – 15 lakh, proposals for an amount of ₹3,889 Crore (13%) are in the range of ₹15 - 25 lakh and proposals for an amount of ₹6,340 Crore (21%) are in the range of ₹25 lakh - 50 lakh, proposals for an amount of ₹3,786 Crore (13%) are in the range of ₹50 – 100 lakh and proposals for an amount of ₹1,951 Crore (6%) are in the range of ₹100 – 200 lakh.

Slab-wise Guarantee Approved Amount % wise in FY 2019



### 3.5 State wise coverage



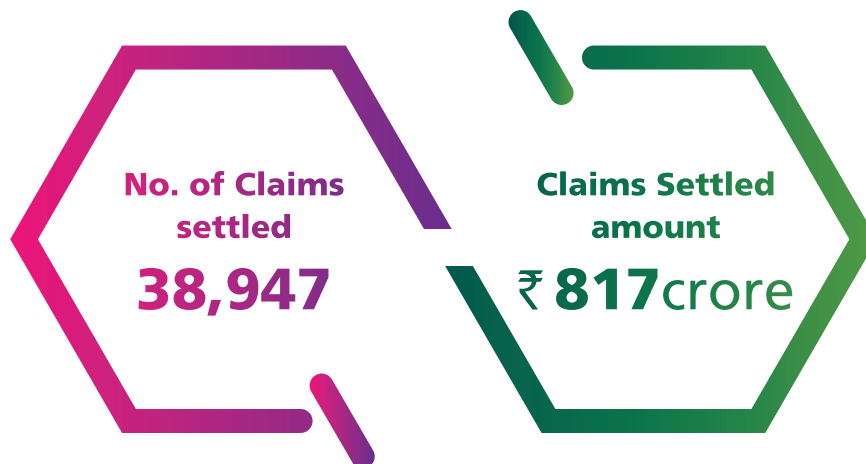
Map not to scale. For illustrative purposes only.

### 3.6 Claim Settlement

During FY 2018-19, claims in respect of 36,351 units were settled for an amount of ₹758.18 crore towards first instalment of claim. Further, during the year, 2,596 claims for an amount of ₹58.38 crore were settled towards

final instalment of claim. Total number of claims settled during FY 2019 were 38,947 for an amount of ₹816.56 crore. CGTMSE has so far settled 2,14,411 number of claims amounting to ₹5,362.09 crore cumulatively till March 31, 2019.

#### Financial Year 2019

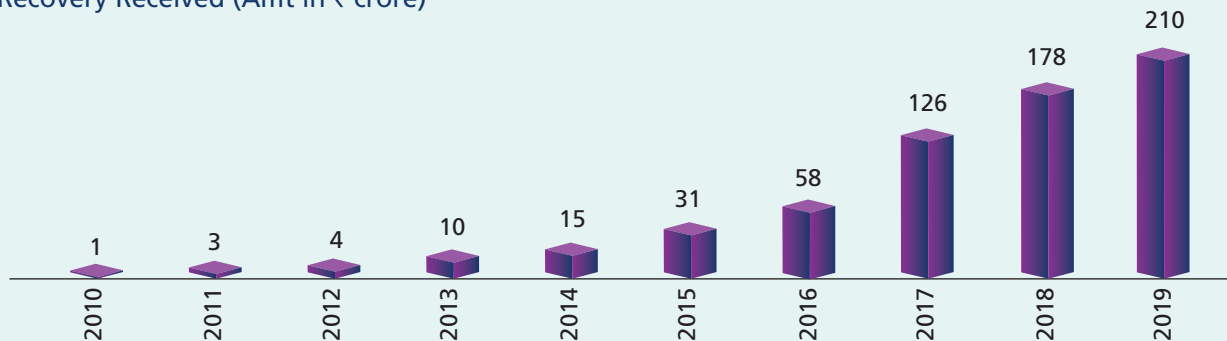


### 3.7 Post claim settlement recoveries

The recoveries received from the MLIs after settlement of first claim has increased during FY 2018-19. The Trust received ₹209.63 crore on this

account as against ₹177.94 crore received during FY 2017-18. The improvement is mainly on account of focussed attention given by the Trust to post claim settlement monitoring mechanism.

Recovery Received (Amt in ₹ crore)



### 3.8 Auditors

- M/s. Kochar & Associates, Mumbai, a firm of Chartered Accountants, was appointed as internal auditors of CGTMSE, for FY 2018-19. The Auditors undertook a comprehensive review of the entire systems as also undertook audit covering revenue, expenses, investment, etc.
- As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. Jain Tripathi & Co., Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTMSE for FY 2018-19.

### 3.9 Accounts

The Trust earned gross income of ₹1,700.98 crore, comprising mainly Guarantee Fee (₹207.80 crore) and Annual Guarantee and Service Fee (₹518.32 crore), Income earned on investments (₹702.35 crore) and Recoveries from MLIs (₹209.63 crore). The Trust incurred an amount of ₹9.79 crore towards various operational and administrative expenditure. Yearly provisioning is being made on the basis of actuarial valuation of liability of the Trust since FY 2009. The details of the provision for FY 2018-19 are given below:

Particulars	Amount (₹ crore)
Opening balance as on April 01, 2018	2,145.50
Less: Claim paid during the year	816.56
Add: Provision made during the year	1,607.58
Closing Balance as on March 31, 2019	2,936.52

As at March 31, 2019, the cumulative provision is estimated at ₹2,936.52 crore. The excess of income over expenditure was ₹83.38 crore after provision for claims as per the Actuarial valuation.

During the year, the Trust received Corpus contribution from its settler of Gol to the extent of ₹715 crore. This, together with the corpus contributions already received, and the net income earned by the Trust so far, had been invested in FDs of banks / institutions and MFs. The size of the Corpus of the fund as on March

31, 2019 stood at ₹6,914.90 crore. The total fund as at March 31, 2019 stood at ₹10,517.31 crore (net of accrued interest) as against ₹8,655.16 crore as at the end of the previous year.

### 3.10 Management & Organisation

During FY 2018-19, the Board of Trustees comprised of Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises (MSME), Government of India as ex-officio Vice-Chairman, the Chairman, Indian Banks' Association (IBA) as ex-officio Member and Chief Executive Officer of CGTMSE as Member Secretary. During FY 2018-19, three meetings of the Board of Trustees were held. As on March 31, 2019, five officers including the CEO were on deputation with CGTMSE from SIDBI.

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

# INTERACTIONS WITH MLIs/EVENTS

In order to deepen and widen the reach of the Scheme, CGTMSE conducted and attended various workshops / training sessions for the officials of its Member Lending Institutions at various levels including Circle Office, Regional Office, Staff Training Centres, etc., to disseminate information on the revamped Credit Guarantee Scheme (CGS) of CGTMSE to enable

eligible micro and small enterprises to avail the benefit of the Scheme. During FY 2019, CGTMSE participated in 135 Seminars / Workshops / Bankers' meet and has conducted 263 Business Development Meetings and made presentations to sensitise bank officials / small enterprises on the various aspects of the Credit Guarantee Scheme.



*CGTMSE Bankers' Conference*



*CGTMSE Workshop in North Eastern Region*



*CGTMSE Bankers' Meet*



*CGTMSE Workshop for SBI - Bhubaneswar*



*ET Awards 2019*

# 31<sup>ST</sup> ACSIC CONFERENCE

CGTMSE hosted the 31<sup>st</sup> ACSIC Conference which was held during November 24 – 25, 2018 at Udaipur. Over 100 officials of 13 guarantee organisations from 9 countries participated in the Conference. The theme for the 31<sup>st</sup> ACSIC Conference, was 'Credit Guarantee: A Vehicle for Inclusive Growth' and participants,

based on the theme, exchanged their views by giving presentations. The Conference was able to bring greater degree of cooperation among existing guarantee organisations in Asian Region and many of the guarantee organisations have benefited by the experience gathered.

## Participating Organisations:

Sr. No.	Country	Organisation
1	India	Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
2	Indonesia	PT ASKRINDO (Persero)
3		Association of Indonesia Credit Guarantee Corporation (ASIPPINDO)
4		Japan Finance Corporation (JFC)
5	Japan	Japan Federation of Credit Guarantee Corporations (JFG)
6	Korea	Korea Credit Guarantee Fund (KODIT)
7		Korea Federation of Credit Guarantee Corporations (KOREG)
8		Korea Technology Finance Corporation (KOTEC)
9	Malaysia	Credit Guarantee Corporation (CGC)
10	Mongolia	Credit Guarantee Fund of Mongolia (CGFM)
11	Nepal	Deposit & Credit Guarantee Fund (DCGF)
12	Sri Lanka	Central Bank of Sri Lanka
13	Thailand	Thai Credit Guarantee Corporation (TCG)



*31<sup>st</sup> ACSIC Conference - Participants*



*Shri Mohammad Mustafa, Chairman - CGTMSE*



*31st ACSIC Conference – Indonesian Delegates*



*31st ACSIC Conference – Japanese Delegates*



*31st ACSIC Conference - Meeting of Chief Delegates*





# FINANCIAL STATEMENTS



# AUDITOR'S REPORT



## JAIN TRIPATHI & CO.

CHARTERED ACCOUNTANTS

HEAD OFFICE: 204-B, RUBY APARTMENTS, SIR M.V.MARG, ANDHERI (EAST), MUMBAI-400069

Tel. No: 022-26830868 • Cell: 09321028751/9869217845 • E-mail: admin@jaintripathi.com

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

1. We have audited the attached Balance Sheet of Credit Guarantee Fund Trust for Micro and Small Enterprises as at 31 March 2019, the Income and Expenditure Account and the Cash Flow Statement for the year ended. The financial statements are the responsibility of the Trust's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Accounting Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.
3. We report that
  - a. We have obtained all the necessary information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
  - b. In our opinion, proper books of accounts, as required by the Trust so far as it appears from our examination of those books.
  - c. The Balance Sheet, Income and Expenditure Account and the Cash Flow Statement dealt with by the report are in agreement with the books of accounts.
  - d. In our opinion, the financial statements, read together with the notes thereon, give true and fair view in conformity with the accounting principles generally accepted in India.
    - i. In the case of Balance Sheet, of the state of affairs of the Trust as at 31st March 2019.
    - ii. In the case of Income and Expenditure Account, of the excess of income over expenditure of the Trust for the year ended on that date.
    - iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

**Place:** Mumbai  
**Date:** 11/06/2019

## Credit Guarantee Fund Trust For Micro and Small Enterprises

# BALANCE SHEET

as on March 31, 2019

Particulars	Schedules	As on 31.03.2019		As on 31.03.2018	
		(₹)	(₹)	(₹)	(₹)
<b>Sources of Funds</b>					
Corpus Fund	1		80,12,35,25,329		72,13,97,53,855
General Reserve	2		74,20,662		74,20,662
Current Liabilities & Provisions	3		33,00,86,77,684		23,57,62,77,330
<b>Total</b>			<b>1,13,13,96,23,675</b>		<b>95,72,34,51,847</b>
<b>Application of Funds</b>					
<b>Fixed Assets</b>					
Computer & Software		2,85,69,407		2,85,69,407	
Less : Depreciation Reserve		2,17,41,772	68,27,635	1,97,83,423	87,85,984
Furniture & Fixture		11,85,682		13,81,329	
Less : Depreciation Reserve		4,42,832	7,42,850	3,89,838	9,91,491
Motor Car		12,66,029		12,66,029	
Less : Depreciation Reserve		7,16,282	5,49,747	5,65,941	7,00,088
Electrical Items		9,86,592		12,48,223	
Less : Depreciation Reserve		4,24,432	5,62,160	4,05,346	8,42,877
			<b>86,82,392</b>		<b>1,13,20,440</b>
<b>Investments</b>	<b>4</b>		1,10,00,09,63,081		90,70,35,23,524
<b>Current Assets</b>					
Cash in hand			1,461		3,098
Bank Balance	5		7,32,33,411		9,39,70,070
Receivable	6		15,85,05,409		34,67,97,523
Deposit (Rent)			-		70,20,000
Amount Recoverable from Tax Authority	7		2,89,82,37,921		4,56,08,17,192
<b>Total</b>			<b>1,13,13,96,23,675</b>		<b>95,72,34,51,847</b>
Notes forming parts of Accounts	9		-		-

AS PER OUR REPORT OF EVEN DATE

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

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

On behalf of the Board of Trustees

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

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

Place: New Delhi  
Date: 11-06-2019

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

Sd/-  
(S N Singh)  
Member Secretary

## Credit Guarantee Fund Trust for Micro and Small Enterprises

# INCOME AND EXPENDITURE ACCOUNT

### for the Year Ended March 31, 2019

Particulars	Schedules	Amount (₹)	
		Current Year	Previous Year
<b>INCOME</b>			
Interest on Investments		6,88,55,43,318	5,23,87,13,593
Income from Mutual Fund		13,79,18,313	13,30,91,902
Guarantee Fees (CGS-I)		1,97,78,85,274	1,78,48,82,816
Guarantee Fees (CGS-II)		10,01,11,250	-
Annual Guarantee Fees		5,08,68,55,149	4,41,07,47,796
Annual Service Fees		9,63,48,288	32,98,36,745
Miscellaneous Income		16,23,716	27,22,563
Penal Interest Income		25,20,710	2,30,121
Recoveries by MLI's on Claim Paid Account		2,09,62,93,289	1,77,94,37,013
Interest on Income Tax Refund		62,46,68,697	-
		<b>17,00,97,68,004</b>	<b>13,67,96,62,549</b>
<b>EXPENDITURE</b>			
Operating and Other Administrative Expenses	8	9,78,55,510	7,70,46,173
Provisions for Guarantee Claims		16,07,58,00,000	13,14,84,00,000
Bank Charges		14,301	1,652
Depreciation		23,26,719	22,00,348
		<b>16,17,59,96,530</b>	<b>13,22,76,48,173</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>83,37,71,474</b>	<b>45,20,14,376</b>
Add / (Less) : Prior Period Items		-	(72,240)
<b>Surplus Before Tax</b>		<b>83,37,71,474</b>	<b>45,19,42,136</b>
Add:- Income Tax Provision W/Back		-	2,07,605
Less: Provisions for Income tax		-	-
<b>Surplus After Tax</b>		<b>83,37,71,474</b>	<b>45,21,49,741</b>
Less: Transfer to General Reserve		-	-
<b>Surplus of Income Over Expenditure Carried to Corpus Fund</b>		<b>83,37,71,474</b>	<b>45,21,49,741</b>
Notes forming parts of Accounts	9		

AS PER OUR REPORT OF EVEN DATE

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

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

On behalf of the Board of Trustees

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

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

Place: New Delhi  
Date: 11-06-2019

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

Sd/-  
(S N Singh)  
Member Secretary

## Credit Guarantee Fund Trust For Micro and Small Enterprises

# CASH FLOW STATEMENT

### for the Year Ended March 31, 2019

Particulars	31 March 2019		31 March 2018	
	₹	₹	₹	₹
<b>Cash flow from Operating Activities</b>				
Excess of expenditure over income, after tax as per Income and Expenditure Statement		<b>83,37,71,474</b>		<b>45,21,49,741</b>
Add: Depreciation debited to Income and Expenditure A/c	23,26,719		22,00,348	
Provision on guarantee claims debited to Income and Expenditure A/c	16,07,58,00,000		13,14,84,00,000	
Less: Interest on investments	(6,88,55,43,318)		(5,23,87,13,593)	
Less: Interest on income tax refund	(62,46,68,697)		-	
Less: Income from mutual fund	(13,79,18,313)		(13,30,91,902)	
		<b>8,42,99,96,391</b>		<b>7,77,87,94,853</b>
<b>Cash flow before changes in working capital</b>		<b>9,26,37,67,865</b>		<b>8,23,09,44,594</b>
<b>Changes in working capital</b>				
(Increase) / decline in receivable	18,82,92,114		(17,37,96,705)	
(Increase) / decline in other	70,20,000		-	
(Increase) / decline in amount recoverable from tax authorities	2,35,32,45,280		(11,54,178)	
Increase / (decline) in current liabilities	1,52,21,55,420		1,25,85,10,767	
		<b>4,07,07,12,814</b>		<b>1,08,35,59,884</b>
<b>Changes in cash flow after changes in working capital</b>		<b>13,33,44,80,679</b>		<b>9,31,45,04,478</b>
Less:				
Claims paid during the year	(8,16,55,55,066)		(9,67,79,67,222)	
Advance tax paid	(69,06,66,009)		(50,98,47,499)	
		<b>(8,85,62,21,075)</b>		<b>(10,18,78,14,721)</b>
<b>Net Cash Flow Generated / (Used) From Operating Activities (A)</b>		<b>4,47,82,59,604</b>		<b>(87,33,10,243)</b>
<b>Cash flow from Investing Activities</b>				
(Acquisition) / disposals of fixed assets during the year	3,11,329		(50,67,317)	
Addition to investments during the year	(19,29,74,39,557)		(41,42,23,30,389)	
<b>Net Cash Flow Used In Investing Activities (B)</b>		<b>(19,29,71,28,228)</b>		<b>(41,42,73,97,706)</b>
<b>Cash flow from Financing Activities</b>				
Increase in corpus fund during the year	7,15,00,00,000		36,99,90,00,000	
Interest income on Mutual Funds	13,79,18,313		13,30,91,902	
Interest on income tax refund	62,46,68,697		-	
Interest income on investments	6,88,55,43,318		5,23,87,13,593	
<b>Net Cash Flow Generated From Financing Activities (C)</b>		<b>14,79,81,30,328</b>		<b>42,37,08,05,495</b>
<b>Net Increase Cash Flow During The Year (A) + (B) + (C)</b>		<b>(2,07,38,296)</b>		<b>7,00,97,546</b>
Opening balance of Cash and Cash Equivalents		9,39,73,168		2,38,75,622
<b>Closing balance of Cash and Cash Equivalents</b>		<b>7,32,34,872</b>		<b>9,39,73,168</b>

**Notes:**

- 1 Cash and Cash Equivalents include cash and bank balance
- 2 Figures in brackets indicate cash outflow
- 3 The Cash and Cash Equivalents as at 31 March 2019 comprise

	31 March 2019	31 March 2018
Cash	1,461	3,098
Bank balance	7,32,33,411	9,39,70,070
<b>Total</b>	<b>7,32,34,872</b>	<b>9,39,73,168</b>

- 4 Figures of the previous year have been regrouped, wherever necessary.

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

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

Place: New Delhi  
Date: 11-06-2019

On behalf of the Board of Trustees

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

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

Sd/-  
(S N Singh)  
Member Secretary

## Credit Guarantee Fund Trust For Micro and Small Enterprises

# SCHEDULE FORMING PART OF THE BALANCE SHEET

as on March 31, 2019

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
<b>Schedule : 1</b>		
<b>Corpus Fund</b>		
Received from :		
Government of India	64,14,90,33,000	56,99,90,33,000
SIDBI	5,00,00,00,000	5,00,00,00,000
(Including the Corpus of ₹ 25,00,00,000/- & ₹ 7,77,50,000/- for RSF - 1 & 2 respectively)		
(a)	<b>69,14,90,33,000</b>	<b>61,99,90,33,000</b>
Surplus of Income over expenditure		
Balance B/F	10,14,07,20,855	9,68,85,71,114
Add: Surplus of Current year	83,37,71,474	45,21,49,741
(b)	<b>10,97,44,92,329</b>	<b>10,14,07,20,855</b>
(a + b)	<b>80,12,35,25,329</b>	<b>72,13,97,53,855</b>
<b>Schedule : 2</b>		
<b>General Reserve</b>		
Balance B/F	74,20,662	74,20,662
Add: Transfer from Income and Expenditure A/c	-	-
	<b>74,20,662</b>	<b>74,20,662</b>
<b>Schedule : 3</b>		
<b>Current Liabilities and Provisions</b>		
Provision Towards Guarantee Claims (also see Note no 7 in Schedule 9)	29,36,51,93,247	21,45,49,48,313
Outstanding Liabilities Towards Expenses	87,87,367	1,10,43,581
Guarantee Claim Payable	14,86,626	61,32,907
TDS Payable	11,63,967	12,97,105
Professional Tax Payable	2,000	2,600
Guarantee Fees Refundable	22,73,569	13,49,260
Annual Service / Guarantee Fees Refundable	37,21,946	6,45,960
Advance Received Towards GF & ASF from D C (Handicraft & Handloom), GOI	23,38,301	25,22,133
Advance Received Towards Guarantee Fees	1,63,51,45,465	88,05,62,476
GST Payable	34,71,00,800	21,33,16,692
GF Appropriation Account	7,59,819	9,28,332
ASF Appropriation Account	10,12,196	9,99,389
Advance Received Annual Guarantee Renewal Fees	1,63,96,92,381	1,00,25,28,582
	<b>33,00,86,77,684</b>	<b>23,57,62,77,330</b>

## Credit Guarantee Fund Trust For Micro and Small Enterprises

# SCHEDULE FORMING PART OF THE BALANCE SHEET

as on March 31, 2019

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
<b>Schedule : 4</b>		
<b>Investments</b>		
1) Investment in Fixed Deposits with Banks		
i) Investement of D C (Handicraft & Handloom), GOI Advance	23,30,859	20,05,474
ii) Investment of Corpus & Other Funds	1,08,85,44,44,869	89,00,74,58,050
2) Investment In Mutual funds	1,14,41,87,353	1,69,40,60,000
[Market value of investments in Mutual Funds: ₹ 1,14,89,91,677.54]		
	<b>1,10,00,09,63,081</b>	<b>90,70,35,23,524</b>
<b>Schedule : 5</b>		
<b>Bank Balance</b>		
Current Accounts with:		
IDBI Bank Ltd.,	1,14,20,795	9,33,74,785
IDBI Bank Ltd., - D C (Handicraft ),GOI,	13,299	3,75,731
IDBI Bank Ltd., - D C (Handloom ), GOI,	3	1,46,402
Corporation Bank	65,58,632	73,152
State Bank of India	5,52,40,682	-
	<b>7,32,33,411</b>	<b>9,39,70,070</b>
<b>Schedule : 6</b>		
<b>Receivables</b>		
Prepaid Expenses	3,17,605	2,87,557
Advance payment & Guarantee Claim Receivable	8,050	24,13,397
Annual Service Fee Receivable	1,97,507	29,98,928
Annual Guarantee Fees Receivable	1,06,597	16,00,83,926
Guarantee Fee Receivable	10,99,688	2,15,20,187
Input Tax Credit (Provision)	10,22,086	28,97,717
Service Tax (EC/SHCE)	31,36,145	31,36,145
Service Tax Recoverable	15,26,17,731	15,34,36,206
GST Recoverable	-	23,460
	<b>15,85,05,409</b>	<b>34,67,97,523</b>

**Credit Guarantee Fund Trust For Micro and Small Enterprises**  
**SCHEDULE FORMING PART OF THE**  
**BALANCE SHEET**  
**as on March 31, 2019**

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
<b>Schedule : 7</b>		
<b>Amount Recoverable from Tax Authority</b>		
Income Tax refundable 31/3/07	-	8,68,43,908
Income Tax refundable 31/3/08	-	3,99,29,054
Income Tax refundable 31/3/09	-	2,21,18,100
Income Tax refundable 31/3/10	39,86,08,031	1,52,88,27,407
Income Tax refundable 31/3/11	8,99,51,264	51,48,14,555
Income Tax refundable 31/3/12	1,38,88,000	-
Income Tax refundable 31/3/13	13,25,69,729	23,74,29,329
Income Tax Refundable 31/3/14	-	1,43,95,52,963
Income Tax Refundable 31/3/15	43,95,61,396	43,95,61,396
Income Tax refundable 31/3/16	20,61,75,313	43,66,85,299
Income Tax refundable 31/3/17	41,69,70,680	41,69,70,680
Income Tax refundable 31/3/18	50,98,47,499	50,98,47,499
TDS Paid 31/3/19	69,06,66,009	-
(a)	<b>2,89,82,37,921</b>	<b>5,67,25,80,190</b>
<b>Less:</b>		
Provision for Tax 31/03/10	-	1,11,17,62,998
(b)	-	<b>1,11,17,62,998</b>
<b>Amount Recoverable from Tax Authority</b>	<b>(a)-(b) = 2,89,82,37,921</b>	<b>4,56,08,17,192</b>

**Credit Guarantee Fund Trust For Micro and Small Enterprises**  
**SCHEDULES FORMING PART OF**  
**INCOME AND EXPENDITURE ACCOUNT**  
**for the Year Ended March 31, 2019**

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
<b>Schedule : 8</b>		
<b>Operating and Other Administrative Expenses</b>		
ACSIC Expenses	51,79,892	-
Advertisement & Publicity Expenses	15,70,529	-
Auditors' Remuneration	3,35,000	3,35,000
Conveyance Expenses	5,23,026	4,67,825
Courier/Postage Charges	36,878	66,590
Electricity Expenses	1,93,300	11,07,400
Insurance Charges	60,874	46,919
Internal Auditors Remuneration	2,80,000	2,85,000
IT service	2,13,28,000	1,26,34,473
Membership Fees	-	1,00,000
Miscellaneous Expenses	12,42,829	8,84,812
Premises Maintenance Expenses	-	1,71,456
Office Expenses	10,40,771	27,35,064
Office Rent	1,56,70,580	1,55,18,036
Personnel Cost & Expenses	4,50,47,443	3,80,04,631
Printing & Stationery	4,41,240	5,93,244
Advocate Fees	1,40,176	2,48,000
Professional Fee	37,10,084	27,43,333
Security Expenses	55,454	3,15,290
Telephone Expenses	83,654	2,50,430
Travelling Expenses	9,15,780	5,38,670
	<b>9,78,55,510</b>	<b>7,70,46,173</b>



## Credit Guarantee Fund Trust For Micro and Small Enterprises

# GROUPING FORMING PART OF INCOME & EXPENDITURE

### for the Year Ended March 31, 2019

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
<b>List 1: Personnel Expenses</b>		
Salaries & Allowances to Employees (SIDBI)	2,87,28,058	1,61,14,660
Salaries & Allowances to Contract Staff	1,51,32,806	2,06,71,509
Coupon Expenses (Sodexo)	11,86,579	12,18,462
	<b>4,50,47,443</b>	<b>3,80,04,631</b>
<b>List 2: Miscellaneous Expenses</b>		
Interest Paid	-	1,948
Appeal Fees	3,000	1,000
Repair & Maintenance	1,39,940	82,344
Loss on Sale of Fixed Asset	2,21,722	-
Staff Welfare	28,846	4,45,510
Swachh Bharat Cess	-	64,047
Miscellaneous Exp	8,49,321	2,89,963
	<b>12,42,829</b>	<b>8,84,812</b>
<b>List 3: Printing &amp; Stationery</b>		
Printing Expenses	2,05,960	2,64,400
Stationery & Computer Consumables	2,35,280	3,28,844
	<b>4,41,240</b>	<b>5,93,244</b>
<b>List 4: Miscellaneous Income</b>		
Miscellaneous Receipts	50,196	2,472
Miscellaneous Income	20,377	24,31,867
Registration, Tender & Search Fee	15,53,143	5,934
Penalty for delay in Service (Contractual)	-	2,47,790
Profit on Sale of Fixed Asset	-	34,500
	<b>16,23,716</b>	<b>27,22,563</b>
<b>List 5: Outstanding Liabilities Towards Expenses</b>		
Agrawal & Friends Co.	69,447	-
A.P. Sanzgiri & Co.	32,817	-
Bharti Airtel & Co.	1,97,100	-
B. Rattan & Associates	8,776	-
Chaturvedi & Co.	30,145	-
Chetan T Shah & Co.	1,53,363	-
Convents Technologies Pvt Ltd	10,800	-
CVS Balachandra Rao & Co.	8,777	-
Globalcom IDC Ltd	8,90,852	-
Jain Tripathi & Co.	3,01,500	3,01,500
JCR & Co.	13,737	-
Khandelwal Jain & Co.	4,05,000	9,78,209
Kirti Stationery & Printers	36,178	-
Kochar & Associates	63,000	-
K.S. Sangvhi & Co.	4,500	68,625
Kyocera Documents Solutuion India Pvt	2,387	-
M M Nissim & Co.	24,803	-

**Credit Guarantee Fund Trust For Micro and Small Enterprises**  
**GROUPING FORMING PART OF**  
**INCOME & EXPENDITURE**  
**for the Year Ended March 31, 2019**

Particulars	As on 31-03-19	As on 31-03-18
	₹	₹
Orient Technologies	1,58,127	1,99,707
Path Infotech	29,21,051	23,84,063
Reliance Communications Ltd	2,83,811	4,74,696
Shyamlal Dadhichi & Associates	2,35,811	-
SIDBI	21,88,028	23,87,452
S.K. Basu & Co.	23,850	-
Sumat Gupta & Co.	19,461	-
The Professional Couriers	1,237	4,839
T&M Services Con. Pvt Lts	6,39,094	7,06,109
ESDS	-	34,662
K.A. Pandit	-	31,500
Salary to Contract Staff Payable	-	5,98,152
Outstanding Liabilities	63,715	2,61,717
IIDL Realtors Pvt Ltd	-	14,53,140
Comparex India Pvt. Ltd.	-	8,01,514
Advertising and Activations	-	3,57,696
	<b>87,87,367</b>	<b>1,10,43,581</b>

# SCHEDULE FORMING PART OF THE BALANCE SHEET AND INCOME AND EXPENDITURE ACCOUNT

## Schedule: 9: - NOTES ON ACCOUNTS:

### 1. Significant Accounting Policies

#### a) Accounting Conventions

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

#### b) Recognition of Income and Expenditure

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

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

##### **Guarantee Fee**

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

##### **Interest Income on Fixed Deposits**

Interest income on Fixed Deposits is recognized on accrual basis.

##### **Recoveries from MLIs on claim paid**

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

##### **Income from Mutual Fund**

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

#### c) Fixed Assets

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

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

#### d) Investments

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

Investments in mutual funds are stated at weighted average cost less impairment, if any, during the year or market value, whichever is lower. Investments in Fixed Deposits have been stated at cost along with accrued interest thereon. Investments relating to fund received from

the offices of DC (Handloom) and DC (Handicraft), Government of India have been separately stated in the Balance Sheet.

#### e) Retirement Benefits

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

(₹ in Crores)

2. Particulars	As on 31-03-19	As on 31-03-18
Guarantee approval	1,75,961	1,46,828
Guarantee issued	1,75,801	1,35,587
Guarantee sanctioned, pending execution	160	11,241
Outstanding Guarantee	74,330	70,310
Overall Liability of CGTMSE out of O/s Guarantee	55,526	50,660
Liability of CGTMSE towards first claim Instalment	41,644	37,995

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

- The Trust is availing facility of staff from SIDBI. As per the Memorandum of Understanding entered into between SIDBI and the Trust on October 04, 2001, the Trust paid service charge @ 20% on the expenses incurred by SIDBI on behalf of the Trust towards administrative expenses directly attributable to the functioning of the Trust till July 2009. However, with mutual decision, the same was withdrawn w.e.f. August 2009.
- The Trust pays 75% of the claim amount in the first instance, leaving balance amount to be paid after the conclusion of recovery proceedings. In 2,596 cases (PY 2,297 cases), subsequent payment of 25% has been made. However, in other cases, the MLIs are yet to report status of conclusion of recovery proceedings which makes them eligible for the receipt of the balance claim. Further, vide circular no.138/2017-18, the trust has introduced a cap on total claim settlement (i.e. settlement of 1st & 2nd instalments of claim), based on fee and recovery remitted by the MLI. Claims of the respective MLI will be settled to the extent of two times of the fee including recovery remitted during the previous financial year.
- Auditor's Remuneration ₹ 3,35,000/- (P.Y. ₹ 3,35,000/-). The fees are exclusive of taxes.

(Amount in ₹)

Particulars	Current Year	Previous Year
Audit Fees	2,75,000	2,75,000
Tax Audit Fees	60,000	60,000
<b>Total</b>	<b>3,35,000</b>	<b>3,35,000</b>

#### 6. Taxation

##### 6.1 Direct Taxation

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

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

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

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

The year wise details of status of assessment, demands and appeals are as under:

- a) While concluding the assessment proceedings for the A.Y. 2009-10, the assessing officer (A.O.) passed the order u/s 143(3) wherein he disallowed the claim of deduction of 15% u/s 11(1)(a) of the Act made during the assessment proceedings. Against the said order, the Trust has filed an appeal before CIT(A) and the same is pending for disposal. No demand is outstanding for this year.
- b) While concluding the assessment proceedings for the A.Y 2010-11, the assessing officer had made an addition of ₹ 94,38,84,008/- and ₹ 1,54,61,77,037/-, being the amount accumulated under section 11(2) during AY 2007-08 and AY 2008-09, respectively and also made an addition of ₹ 1,66,41,00,000/- being contributions received towards Corpus from the Settlers of the Trust namely, Ministry of MSME, Government of India (GOI) and Small Industries Development Bank of India (SIDBI) during the year on the reasoning that as the registration u/s.12A of the Trust was withdrawn by the DIT(E), Mumbai w.e.f. A.Y.2009-10, the Trust is not eligible for any benefit of section 11 of the Act. Against the said additions, the Trust had filed an appeal before Commissioner of Income Tax (Appeals) who upheld the order of the AO vide order dated 28.07.2014. However, the Hon'ble ITAT vide order dated 20.01.2017 has allowed the claim of the trust for exemption under section 11 & 12 of the Act. The Hon'ble ITAT has also held that as the claim of assessee for benefits of sections 11 & 12 of the Act is upheld, the assessee also succeeds on the issue of addition of contribution made by settlers towards the corpus. Against the said ITAT's Order, the department has filed the petition before the High Court of Judicature at Bombay which is pending for disposal. Subsequently, the order dated 25.07.2017 giving effect to the order of the ITAT has been received on 09.08.2017. The trust has received refund of ₹ 16,73,47,440/- vide Demand Draft dated 11.04.2018 after adjustment of certain demands for other years. The Trust has filed letter dated 13.02.2019 for issue of balance refund along with interest u/s.244A of the Act and is being followed up.
- c) While concluding the assessment proceedings for the A.Y. 2011-12, the assessing officer in the order passed u/s 143(3) of the Act made an addition of ₹ 2,50,00,00,000/- being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act and thereby raising a demand of ₹ 1,02,96,29,110/-. Against the said addition, the Trust had filed an appeal before CIT(A) which was dismissed following the order of CIT(A) for A.Y 2010-11. Out of the demand raised of ₹ 1,02,96,29,110/-, the trust had paid ₹ 51,48,14,555/- in installments upto 31.03.2015. Aggrieved by the order of CIT(A), trust had preferred an appeal before the Hon'ble ITAT. The Hon'ble ITAT vide order dated 26.02.2018 allowed the appeal of the assessee trust by following the order

for A.Y.2010-11 in assessee's own case. Subsequently the order dated 07.08.2018 giving effect to the order of the ITAT has been received on 20.02.2019 and the trust has received a refund of ₹ 1,40,99,80,850/- vide demand draft dated 05.09.2018 after adjustment of certain demands for other assessment years. However, the A.O. did not grant the deduction of 15% u/s. 11(1)(a) of the Act in the order dated 07.08.2018. The trust vide letter dated 13.03.2019 has requested the A.O. to pass a rectification order. In this regard the trust has also filed an appeal before the CIT(A) on 15.03.2019 which is pending for disposal.

The A.O. had also levied a penalty of ₹ 77,25,00,000/- by passing an order u/s. 271(1)(c) of the Act and had adjusted the said penalty demand out of the refund due for A.Y. 2010-11. Against said order, the trust had filed an appeal before the CIT(A) and the Hon'ble CIT(A) has vide order dated 01.03.2019 disposed of the appeal in the favour of the trust and deleted the said penalty of ₹ 77,25,00,000/-. The trust has vide letter dated 11.05.2019, requested the learned Assessing Officer to pass an order giving effect to the order of the CIT(A) and issue the resultant refund.

- d) While concluding the assessment proceedings for the A.Y. 2012-13, the assessing officer made an addition of ₹ 2,22,50,000/- being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act and thereby raising a demand of ₹ 10,40,35,270/- which was rectified to ₹ 69,44,000/-vide order dated 13.10.2015 passed u/s 154 of the Act. Against the said addition, the Trust has filed an appeal before CIT(A) which has been heard on various dates and is pending for disposal.
- e) While concluding the assessment proceedings for the A.Y. 2013-14, the assessing officer has made an addition of ₹ 42,77,50,000 being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961 and determining refund of ₹ 10,48,59,600/- which was adjusted against the demand due for A.Y. 2011-12. Against the said addition, the Trust has filed an appeal before CIT(A) which is pending for disposal.
- f) While concluding the assessment proceedings for the A.Y. 2014-15, the assessing officer had made an addition of ₹ 93,73,75,000/- being the contribution from settlers to the corpus of the trust by treating the same as voluntary contribution u/s 2(24)(iia) of the Act and determining refund of ₹ 52,17,58,560/-. Further, the Ld.AO has considered returned income at ₹ NIL as against the returned loss/ deficit of ₹ 55,02,16,378/-. Against the said order, the Trust had filed an appeal before CIT(A) who vide order dated 27.12.2017 has allowed the appeal of the assessee Trust. Subsequently the order dated 05.04.2018 giving effect to the order of the CIT(A) was passed by the A.O. wherein he did not allow the claim of carry forward of deficit. Against the said order of the A.O., the Trust has preferred an appeal before the CIT(A) which is pending for disposal. The Trust has received refund of ₹ 1,22,87,44,100/- vide demand draft dated 13.04.2018. The Income Tax Department has preferred an appeal before the Hon'ble ITAT against the order of the CIT(A) which is pending for disposal.
- g) While concluding the assessment proceedings for the A.Y. 2015-16, the assessing officer has made an addition of ₹ 93,73,75,000 being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961. Further, the Ld.AO has considered returned income at ₹ NIL as against the returned loss of ₹ 1,79,15,20,936/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending disposal. The AO has not given credit of TDS of ₹ 11,02,47,956/- for which an application for rectification has been filed on 15.01.2018 which is pending for disposal.

- h) While concluding the assessment proceedings for the A.Y. 2016-17, the assessing officer has made an addition of ₹ 42,48,75,000/- being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961. Further, the Ld.AO has not granted deduction of 15% u/s. 11(1)(a) and has considered returned income at ₹ 50,43,34,946 as against the returned income of ₹ 7,94,59,946/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending disposal. The trust has received a refund of ₹ 17,18,41,511/- vide demand draft dated 07.06.2018. The AO has not granted the refund of ₹ 20,36,78,121/- for which an application for rectification has been filed and same is pending for disposal.
- i) For A.Y. 2017-18 and A.Y. 2018-19, the Trust has filed returns of income claiming refund of ₹ 42,81,83,077/- and ₹ 50,98,47,499/- respectively. The assessments for these years are pending.

## 6.2 Indirect Taxation

- a) The Directorate General of Central Excise Intelligence, Chennai vide show cause notice dated 14.10.2014 had asked the trust to show cause as to why Guarantee Fee and Annual Service Fees received by the trust should not be considered as "Support service for Business or Commerce" under Section 65(104c) read with Section 65(105)(zzzq) of Finance Act, 1994 and demand of ₹ 79,68,11,936/- plus interest u/s. 75 and penalty u/s. 76, 77 and 78 should not be imposed for the period from FY 2009-10 till June 30, 2012. In response to the same, the trust has made written submission on 17.12.2014 and attended personal hearings on 17.04.2015 and 06.12.2018. No order in this regard has been received till date.
- b) The assessee trust was selected for statutory audit under Rule 5A of Service Tax Rules, 1994 for the period from F.Y. 2010-11 to 2014-15. On the basis of the observations made in Final Audit Report, Assistant Commissioner of Service Tax, Mumbai issued show cause notice dated 18.04.2016 asking the trust to explain as to why-
1. The activity of sharing of staff with M/s. SIDBI should not be classified under "Business Support Service" and Service Tax of ₹ 52,156/- along with Interest u/s. 75 should not be demanded and recovered;
  2. Service Tax amounting ₹ 1,74,760/- along with Interest u/s. 75 on the unutilized portion of advances received from the Development Commissioner should not be demanded and recovered;
  3. Interest u/s. 75 of Finance Act, 1994 on delayed payment of Service Tax on adjusted portion of advances received from the Development Commissioner should not be demanded and recovered;
  4. Penalty u/s. 76 for failure to pay service tax within prescribed time and penalty u/s. 78 for suppressing and mis-declaring the taxable activities and true nature and value of taxable services, with intend to evade payment of Service Tax should not be demanded and recovered.

The last reply in the matter was filed by the assessee trust on 23.08.2016. No order / communication with regard to the same has been received till date. Subsequently the Dy. Commissioner of Service tax vide letter dated 24.03.2017 sought clarification as to whether in relation to the points mentioned hereinabove under sub-clause 1) and 2) of Clause B), the same practice continued post 2015. The reply in response thereto has also been filed by Trust vide letter dated 18.04.2017.

- c) In Response to the Appeal filed with regard to claim of Refund of Service Tax paid on services provided to MLI's located in Jammu and Kashmir amounting to ₹ 1,07,71,826/- for the period July 2012 to June 2014, The Commissioner (Appeals) vide his order dated 28.08.2018 has

remanded back to the original authority with the direction to verify all the relevant documents to be produced by CGTMSE for substantiating their claim of Refund. No communication is received from the Assistant Commissioner (Refund -II), Service Tax -IV, Mumbai in this regard till date.

- d) The application dated 02.04.2018 for claiming refund of ₹ 7,54,06,280/- being service tax and cesses paid in advance on the basis of DAN for which ultimately no guarantee services have been rendered and which could not be adjusted against service tax payable. The same was rejected vide order dated 07.12.2018 and Trust has preferred an appeal against the said order before the Hon'able Commissioner of Service Tax (Appeals)-II, Mumbai on 07.02.2019. The matter is yet to be heard.

7. The Trust has obtained Actuarial Valuation Report of Expected Pay out due to Default in Loans.

Accordingly, the additional provision suggested by Actuary in his report is ₹ 1,607.58 Crore as on 31.03.2019. Details of provision for such claims are as under:

Particulars	(Amount in ₹)	
	Current Year	Previous Year
Opening balance as on 1st April	21,45,49,48,313	17,98,45,15,536
Less: Claim paid during the year	8,16,55,55,066	9,67,79,67,223
Add: Provision made during the year	16,07,58,00,000	13,14,84,00,000
Closing Balance as on 31st March	<b>29,36,51,93,247</b>	<b>21,45,49,48,313</b>

8. Figures of previous year have been regrouped, reclassified and rearranged wherever necessary.

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

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

Place: New Delhi  
Date: 11-06-2019

On behalf of the Board of Trustees

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

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

Sd/-  
(S N Singh)  
Member Secretary











En route to fulfilling  
**Mahatma Gandhi's** vision  
for small scale sector



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