

**Credit Guarantee Fund Trust for Small Industries**

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

**2<sup>nd</sup> Annual Report 2001-2002**

**CONTENTS**

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



## Letter of Transmittal

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

July 31, 2002  
Shravan 9, 1924 (Saka)

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

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

Dear Sirs,

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

1) A copy of audited accounts of the Trust for the year ended March 31, 2002, together with Auditors' Report;

and

2) A copy of the report, on the working of the Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2002.

Thanking You,

Yours faithfully,

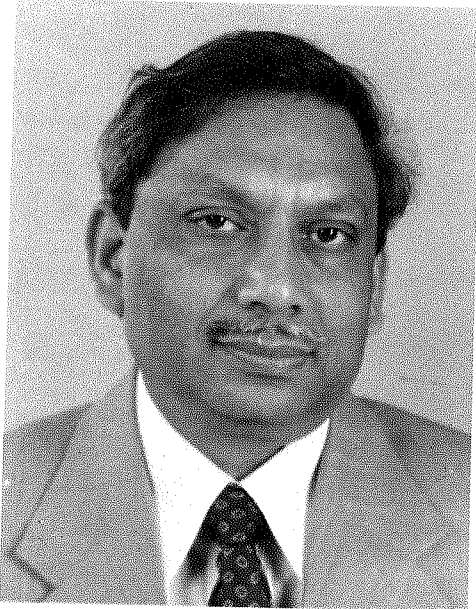
Sd/-

**(N. Venkatasubramanian)**  
Chief Executive Officer

**Board of Trustees**

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

## *Chairman's Message*



Ever since Independence, the Small Scale Industries (SSIs) have been known and recognised for their significant contribution to economic development of the country, be it employment generation, exports or contribution to GDP. However the SSI sector has been facing certain unique problems, the most prominent among them being the lack of adequate and timely finance. The predicament is compounded by the risk-averse stance of banking system, at a time when the sector requires the much-needed support to prepare itself to compete in the changed environment of globalised / liberalized and

post WTO regime. Government of India in association with Small Industries Development Bank of India have been addressing specific issues of the Sector. One such initiative was to address the problem of collateral security. Govt and SIDBI set up CGTSI on 27<sup>th</sup> July, 2000 to operate the credit guarantee scheme to facilitate access to collateral free credit from the formal banking system. Govt and SIDBI have so far contributed Rs. 250 crore to the corpus of CGTSI in the ratio of 4:1.

CGTSI has completed almost two years of its existence; and I must say that this existence has been both meaningful and progressive. CGTSI has helped create a symbiotic relationship between the eligible borrowers and the lending institutions. It is inspiring to note that the scheme has received acceptability amongst the eligible lending institutions, without whose support benefit of the scheme cannot be passed on to the eligible borrowers. As of March 2002, CGTSI could enlist the support of 28 lending institutions, comprising 19 public sector banks, 4 new private sector banks, 3 RRBs, NSIC and NEDFi as its Member Lending Institutions (MLIs). 16 MLIs sought guarantee cover from CGTSI and cumulatively, CGTSI approved guarantee cover for aggregate loan amount of Rs. 3558 lakh for the benefit of 3247 SSI units. With assistance of units coming from 28 states under the credit guarantee scheme, the scheme has made a country wide presence.

This has been possible because of the strategic initiatives taken by CGTSI in promoting and propagating the scheme among the SSI borrowers and lending institutions. The increased corpus of the Trust standing at Rs. 250 crore and the

exemption from Income Tax payment has made CGTSI stronger, enhancing its capability to serve the SSI sector through its guarantee mechanism. The general perception is that the guarantee scheme has been well conceived. CGTSI believes that the sustained utility of the scheme depends on how it evolves itself keeping in view the expectations and needs of both the lending institutions and the SSI sector. While the guarantee scheme has been modified to make it more user friendly, the success of the Scheme would much depend on the cooperation of the lending institutions in extending collateral free credit in larger measure to the eligible borrowers.

Last year CGTSI was given a mandate of operationalising the Mutual Credit Guarantee Scheme on a pilot basis. With the confirmed participation of 11 commercial banks and three industry associations, CGTSI will be flagging off the scheme in the current year.

Our journey towards creating a conducive financial environment in general and increased credit delivery to SSI sector in particular, with the help of guarantee mechanism, is well on track. I am hopeful that with active support from the Member Lending Institutions of CGTSI, this journey will reach its meaningful destination.



**P. B. NIMBALKAR**

## National Advisory Committee

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

## Member Lending Institutions

(as on March 31, 2002)

### SCHEDULED COMMERCIAL BANKS

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

### REGIONAL RURAL BANKS

1. Prathama Bank, Moradabad
2. Sabarkantha – Gandhinagar Gramin Bank
3. Sri Saraswathi Grameena Bank, AP

### OTHER INSTITUTIONS

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





## Report on the working of the Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2002

### *Introduction*

- 1.1 The importance of Small Scale Industries Sector is well recognized from its contribution to the socio-economic objectives of growth, in generation of employment, output, exports, and in its fostering of entrepreneurship. Currently, the sector accounts for around 95 per cent of the industrial units contributing to 40 per cent of the manufacturing sector output, producing over 7500 products covering wide spectrum of industries and account for one-third of the country's exports. As on March 31, 2001, there were 33.7 lakh registered SSI units providing direct employment to over 186 lakh persons. The present upper limit on investment in plant and machinery for SSI unit is Rs.100 lakh and the units in SSI sector comprise modern small-scale industries and traditional tiny industries consisting of tiny and cottage industries segment.
- 1.2 Various fiscal and financial support measures taken by the Government, both at the Central and State level, over the years have facilitated the promotion and development of small scale enterprises in the country. Obviously, the SSI sector for long has existed under protected environment. In the wake of liberalisation and opening up of the economy, there has been shift in the policy approach more in favour of development support so as to empower the sector to adapt itself to the changing environment. To pay focused attention to the sector, Ministry of SSI was set up in October 1999 under the independent charge of a Union Minister of State. The new ministry prepared a "Mission for the Millennium" strategy for the SSI sector for creating new investment avenues, strengthening the credit delivery system, promoting modernization through technology upgradation and support measures for enhancing the competitiveness of the sector in the WTO regime. A Study Group on "Development of Small Enterprises" under the Chairmanship of Dr. S. P. Gupta, Member, Planning Commission set up in May, 1999 submitted its interim report in July, 2000. The final report was submitted in February 2001. In order to strengthen the SSI sector through better co-ordination on various policy issues pertaining to more than one Ministry, the Hon'ble Prime Minister constituted an inter-ministerial Group of Ministers (GoM) on June 28, 2000 under the Chairmanship of Hon'ble Home Minister. The GoM formulated a comprehensive policy package for the Small Scale Sector and Tiny Sector. Prime Minister announced some important policy measures at the National Conference of the SSIs on August 30, 2000, including formal launching of Credit Guarantee Fund Scheme for Small Industries for loans up to Rs.25 lakh, as a measure for strengthening the credit delivery system.
- 1.3 The issue of credit dispensation is important especially for SSIs owing to their greater dependence on borrowed capital. The institutional structure for credit dispensation evolved over the years for

the sector be considered adequate; but adequacy of credit flow for working capital finance in particular has not been to the desired level. First generation entrepreneurs find it difficult to access credit from the formal banking system. Keeping in view the dominant role played by the commercial banks in dispensation of credit in the country, the authorities concerned have identified the SSI sector as a priority sector for lending by commercial banks.

- 1.4 Despite being bestowed with priority sector status, the SSI sector has not received the much-needed attention from the formal banking system; the main cause being the 'high risk perception' of the sector. The high-risk perception has led the lenders to focus on collateral based lending while financing SSIs. But as the worldwide trends in SME financing has shown, financing to small-scale industries sector is not as risky as perceived to be, though it entails higher administrative cost, which too can be overcome by use of technology in bank financing. Despite RBI guidelines to the banks for not insisting upon collateral security while financing loans up to Rs. 5 lakh, the situation in the country does not seem to have improved.
- 1.5 The need for bringing about a paradigm shift from collateral based lending to project based lending was felt by the Government to address the problem of collaterals faced by the SSI entrepreneurs. Accordingly, the Credit Guarantee Fund Scheme for Small Industries was launched by the Government. The objective of the guarantee scheme is to help new and existing units in the SSI sector including units in Information Technology and Software Industry, to access formal credit without collaterals or third party guarantee from the eligible lending institutions. **Credit Guarantee Fund Trust for Small Industries (CGTSI)**, a Trust settled by Ministry of SSI, GoI and SIDBI on July 27, 2000, is operating the credit guarantee scheme.
- 1.6 The eligible lending institutions are scheduled commercial banks, select Regional Rural Banks (RRBs), or such of those institutions as may be prescribed by GoI. NSIC and NEDFi have been included as eligible lending institutions. For availing of guarantee facility from CGTSI, the eligible lending institutions are required to become Member Lending Institutions (MLIs) of the Trust by executing a simple undertaking.

#### ***Corpus Fund of CGTSI***

- 2 The corpus of Trust of Rs.125 crore contributed by settlors, GoI and SIDBI, in the ratio of 4:1 in August 2000 has been enhanced to Rs.250 crore as at March, 2002. CGTSI would have a leverage of guaranteeing collateral-free credit nearly 5 times its corpus fund provided the default rate of its guaranteed loans remains within the estimated rate of around 20 per cent. The Settlers have agreed to enhance the corpus fund of CGTSI up to Rs.2500 crore, in due course.

#### ***Member Lending Institutions***

- 3.1 As a result of its ongoing efforts to broad base its network of MLIs for wider dispersal of collateral

free credit to SSIs, CGTSI could increase the number of MLIs to 28 as on March 31, 2002 from 18 as on March 31, 2001.

- 3.2 As on March 31, 2002, almost all public sector banks, except United Bank of India and Associate Banks of SBI had become MLIs of the Trust. Amongst private sector banks, HDFC Bank Ltd, IDBI Bank Ltd, Indusind Bank Ltd. and ICICI Bank Ltd are MLIs of the Trust. Three Regional Rural Banks (RRBs), have also become MLI of the Trust. Of the financial institutions, NSIC and NEDFi are enlisted as MLI of the Trust. United Bank of India and 3 SBI associates namely State Bank of Bikaner & Jaipur, State Bank of Hyderabad, and State Bank of Mysore have since become MLIs of the Trust. The remaining Associate Banks of SBI are also expected to become the MLIs of the Trust and start availing of the guarantee facility in FY- 2002-03. As on March 31, 2002, there were 15 Public Sector Banks and NSIC, which were active MLIs availing of guarantee facility from CGTSI.

#### ***Technology Based Transactions***

- 4 Acknowledging the importance of technology, transparency, speed and real time services in its operating environment, CGTSI has crafted its operations in tune with the emerging trends of service delivery by setting up a fully integrated on-line system capable of processing a variety of transactions in large volumes and to the satisfaction of its customer base. The first phase of B2B model software developed by Satyam Computers Services Ltd. has been operating successfully. The second phase of upgraded and improved operational software is expected to be ready by January 2003.

#### ***Modifications to the Guarantee Scheme***

- 5.1 The guarantee scheme was modified in September 2000 for making it available for eligible credit up to Rs.25 lakh from the initial ceiling limit of Rs.10 lakh.
- 5.2 During the year under review, in tune with the requirements of its MLIs certain operational flexibilities were brought about in the scheme. Under the Guarantee Scheme, an SSI borrower is required to obtain its entire composite credit needs from a single Lending Institution. However, the Trust has received requests for consideration of credit facilities extended by a bank for a SSI unit already assisted by State Level Institution(s) (SLIs). Modification has, therefore, been carried out to help the SSI borrowers already assisted by Institutions [State Level Institutions (SLIs) / NSIC / NEDFi] in seeking credit facilities from a bank under the Credit Guarantee Scheme. However, joint financing by two commercial banks to a single borrower shall not be eligible for guarantee cover. Similarly, joint financing by two institutions to a single borrower, would not be eligible for guarantee cover.
- 5.3 Further a time period has been stipulated for payment of guarantee fee by MLIs. The guarantee fee is required to be paid by the eligible institution availing of the guarantee within 30 days from the date of first disbursement of credit facility or from the date of approval of guarantee by CGTSI, whichever is later.

- 5.4 Previously it was compulsory to give IT PAN of the Chief Promoter of an assisted unit. Keeping in view the problems faced by MLIs in obtaining IT PAN from borrowers / first generation entrepreneurs in the rural areas, the Trust has decided to seek information relating to IT PAN in respect of those promoters of SSI units where credit facility exceeds Rs.10 lakh.
- 5.5 The lending institutions were required to apply for guarantee cover within 90 days from the date of credit sanctioned to the eligible borrower. In deference to the wishes of the MLIs, this has since been modified enabling MLIs to apply for guarantee cover latest by end of next calendar quarter in respect of credit proposals sanctioned in the previous calendar quarter, viz. for credit sanctions in April-June, July-September, October-December and January-March, MLIs would have to apply for guarantee cover prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

### ***Awareness Programme***

- 6.1. To create increased awareness about the Guarantee Scheme, besides organising seminars at various centres, CGTSI participates in various seminars / industry related exhibitions organized by SSI Associations. CGTSI has also been providing support to institutions/ agencies from private sector in their efforts for promotion, information dissemination and development of small-scale industries. CGTSI officials have been attending SLBC meetings in different states, creating better understanding about the guarantee scheme among the participating banks. Interactive seminars/ workshops-cum-training programmes have been conducted successfully by CGTSI at various centers for the benefit of operating staff of the MLIs. These efforts would be ongoing exercise for CGTSI.
- 6.2. In order to help MLIs impart better and personalized training to their operating staff on the guarantee scheme, a Computer Based Training Programme (CBTP) has been developed by CGTSI. The CD-ROMs of this CBTP are being distributed to MLIs for personalized training of their operating officers.
- 6.3. A well-focused and multifaceted media strategy is being pursued by CGTSI, comprising publicity through print media (news papers / magazines), posters (at bank branches, offices of SISI, DICs etc.), direct mailers, trade journals, souvenirs of industry associations, etc. A series of three advertisements were released in regional language newspapers during the period December 2001-March 2002, covering the States of Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal.

### ***Performance of Scheme***

- 7.1 As on March 31, 2002, 3247 projects were approved for guarantee cover for aggregate loans of Rs. 3558 lakh. The SSI units assisted under Credit Guarantee Scheme are expected to generate

- employment to 9239 persons, turnover and exports of Rs. 20800 lakh and Rs.214 lakh, respectively.
- 7.2 During FY 2001-02, 15 scheduled commercial banks and NSIC availed of the guarantee facility in respect of their collateral-free/third party guarantee-free credits to SSI units. Particulars of MLI-wise guarantee approved and guarantee issued by CGTISI as on March 31, 2002 are given in **Annexure I**. CGTISI approves the eligible loan proposals for guarantee cover immediately on receipt of the applications from MLIs, response time being not more than a day. The guarantee is issued only on receipt of requisite guarantee fee from MLIs against the guarantee already approved. Prior to the recent amendment relating to payment of guarantee fee, there has been inordinate delay in receipt of guarantee fee from MLIs in respect of certain proposals. Now that MLI is required to make the payment of guarantee fee within 30 days of its first disbursement of credit to SSI concerned for which guarantee cover has been approved by CGTISI, it is expected that gap between approval of guarantee and issue of guarantee would get narrowed down.
- 7.3 As on March 31, 2002, NSIC's assistance under guarantee scheme was the maximum at Rs.970 lakh, followed by Canara Bank, Punjab National Bank and Union Bank of India which had provided assistance of Rs.834 lakh, 544 lakh and 440 lakh respectively.
- 7.4 The industry-wise assistance made available by MLIs under the guarantee scheme, as on March 31, 2002, is given in **Annexure II**. Other manufacturing sector received maximum number of assistance under the guarantee scheme followed by food products, metal products, Information Technology, paper products, textiles, wood furniture, electrical parts in that order.
- 7.5 The distribution of units assisted under the scheme expanded to 28 States (including three newly created States). State-wise coverage of cumulative units under the guarantee scheme as on March 31, 2002 is given in **Annexure III**. Region-wise, Uttar Pradesh accounted for the highest number of units covered under the guarantee scheme, followed by Kerala, Madhya Pradesh, Karnataka, Maharashtra, Tamil Nadu, Punjab and Himachal Pradesh respectively. It is heartening to note that the credit guarantee scheme has helped SSI units in NE region to increasingly avail of collateral free credit.
- 7.6 Of the 3247 units assisted under the scheme for Rs.3558 lakh, 1210 units with aggregate credit assistance of Rs.210 lakh pertained to the category having credit component below Rs.25000; and 1641 units with Rs.1025 lakh pertained to credit component over Rs.25001 and up to Rs.1 lakh. Account wise, 88 per cent of the total units assisted were with loan component up to Rs.1 lakh, around 4.5 per cent in the range of Rs.1 to 2 lakh, around 3.4 per cent in the range of Rs.2 to 5 lakh, around 2.5 per cent of the units were in the range of Rs.5 to 10 lakh and the remaining were in the range of Rs.10 to 25 lakh. Amount-wise, 35 per cent of the credit approved under guarantee scheme related to loan component up to Rs.1 lakh, 7 per cent related to credit between Rs.1 to 2

lakh, 11 per cent related to credit between Rs.2 to 5 lakh, 18 per cent related to credit between Rs.5-10 lakh and the remaining 29 per cent of the credit was in the range of Rs.10 to 25 lakh. Slab-wise analysis of credit proposals approved under guarantee scheme is given in **Annexure IV**.

### **Auditors**

- 8.1 M/s. RSM & Co., Mumbai, a firm of Chartered Accountants, was appointed as internal auditors of CGTSI, for the FY 2001-2002. The Auditors have undertaken a comprehensive review of the entire computer systems as also financial audit covering revenue expenses, investment and revenue income.
- 8.2 As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. Adukia & Associates, Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTSI for FY-2001-02.

### **Tax Exemption**

- 9 To augment the corpus and enable the Trust to operate on a self-sustainable basis, CGTSI has been granted full tax exemption on its income. The Finance Bill introduced by the Hon'ble Finance Minister on February 28, 2002 and passed by the Parliament include a sub-section 23EB U/S 10 of Income Tax Act, 1961, exempting income of CGTSI for a period of 5 years, commencing from the financial year 2001-2002 (Assessment Year 2002-2003).

### **Accounts**

- 10.1 Income and Expenditure Account for the year ended March 31, 2002 and Balance Sheet as at March 31, 2002, together with the Auditors' Report are attached. During FY-2001-02, the excess of income over expenditure/ provisions was Rs.2757.09 lakh in FY-2001-02 as against Rs.1.91 lakh in FY-2000-01. The Trust followed cash system of accounting its income and expenditure during FY-2000-01. During the year 2001-02, the Trust changed the method of accounting from cash system to accrual system. It may be noted here that the financial year 2000-01 was for a period of 10 months approximately, and the Trust's first income was received in January 2001. Also in FY-2000-01, the first year of the Trust's operations, the operating expenditure of the Trust was met by SIDBI. In view of the above, the income and expenditure of FY-2001-02 is not comparable with that of FY-2000-01.
- 10.2 The income of the Trust is exempt from Income Tax as per Section 10(23EB) of the Income Tax Act, 1961 and accordingly no provision for tax was made during the Financial Year.
- 10.3 During FY-2001-02, the Trust received corpus contribution of Rs.12500 lakh from its Settlers, thus raising their contribution to Rs.25000 lakh. The total investment of the Trust as at March 31, 2002



stood at Rs.26158.54 lakh as against Rs.12501.00 lakh as at the end of the previous year.

The Trust is contingently liable in respect of the guarantee cover issued by it. As on March 31, 2002, the guarantee cover issued by the Trust was Rs.2978.04 lakh, which had increased from Rs.222.87 lakh as at March 31, 2001.

### ***Establishment of Mutual Credit Guarantee Scheme***

- 11.1 A new scheme called Mutual Credit Guarantee Scheme (MCGS), which is based on Italian model, is proposed to be operationalised by CGTSI during the year 2002-2003. MCGS entails creation of corpus fund by an industry association through contributions from its member industrial units. The corpus fund is leveraged by the Industry Association to extend guarantee to designated bank for availing financial assistance in respect of projects evaluated and recommended by its technical committee. CGTSI is initiating action plan for implementation of MCGS in the country on pilot basis. CGTSI would provide counter guarantee or co-guarantee to such Industry Associations under MCGS.
- 11.2 CGTSI has been in touch with select industry associations, in this regard for identification of clusters in their area. CGTSI proposes to implement the scheme on pilot basis with three Industry Associations viz. Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP), Karnataka Small Scale Industries Association (KASSIA) and Tirupur Exporters Association (TEA), which have evinced interest to try the concept for the benefit of their member SSI units. Allahabad Bank, Andhra Bank, Bank of India, Central Bank of India, Indian Bank, Punjab National Bank, State Bank of India, Syndicate Bank, UCO Bank, Bank of Maharashtra, and Bank of Baroda have conveyed in principle approval to act as designated banks in the implementation of MCGS. CGTSI will collaborate with these banks in pilot-scale implementation of the MCGS during the current year.
- 11.3 CGTSI has also been in touch with multilateral institutions, like Department for International Development (DFID) UK for institutional support in the fields of management, training, scheme upgradation and financing, especially in respect of MCGS.

### ***Support from RBI***

- 12 To encourage banks to take advantage of credit guarantee scheme in providing collateral and third party guarantee free credit to eligible SSI units, RBI issued a circular on June 07,2001, which stipulates that (a) Banks may assign zero risk weight for the guaranteed loan portion; (b) in case the advance covered by CGTSI guarantee becomes non-performing, no provision needs to be made towards the guaranteed portion.

**Interface**

- 13.1 In order to guide and assist CGTSI in its endeavors to support the SSI Sector more effectively and efficiently, a National Advisory Committee (NAC) has been set up with representatives from Gol, SIDBI, RBI, Banks, SSI Entrepreneurs, and SSI Industry Associations. Besides Chairman-CGTSI, the Committee comprise 5 permanent members viz. AS & DC (SSI) - Ministry of SSI, Chairman - IBA, ED - SIDBI, GM (RPCD) - RBI, and CEO - CGTSI. The other 10 members comprising 3 bank representatives, 3 SSI Industry Associations, 3 SSI Entrepreneurs and 1 economist, will retire by rotation every two years. The first meeting of NAC of CGTSI was held on October 15, 2001 at Mumbai.
- 13.2 With a view to building mutually beneficial relationship between CGTSI and its MLIs, an IBA Review Forum was constituted comprising members nominated from Allahabad Bank, Central Bank of India, Punjab National Bank, State Bank of India and Vijaya Bank. A meeting of IBA Review Forum was held in December 2001. Further to smoothen the operations of CGTSI and create confidence amongst its MLIs, a Dispute Resolution Committee (DRC) is proposed to be constituted, for resolving the issues, if any, arising out of settlement of claims between CGTSI and its MLIs. As stated earlier, pursuant to the deliberations at IBA Review Forum, some of the modifications have been carried out by CGTSI in the operational aspects of the credit guarantee scheme.

**Securitisation**

- 14 Pioneering effort has been undertaken by CGTSI in line with its objective of playing the role of credit enhancer by facilitating securitisation of the loans guaranteed by it. CGTSI has hired the services of SBI Capital Markets Limited (SBI CAPS), a subsidiary of SBI, for conceptualizing the framework of proposed securitisation programme including working out the detailed operational aspects such as structuring and placement of the securitised loan tranches, fund raising etc. The initiative for putting in place a framework for securitisation of guaranteed loans of SSIs will help in infusing increased liquidity in banking system, thereby kick starting the cycle of fresh credit approvals for SSI.

**HRD / Training**

- 15 To ensure that operational and managerial skills of officers are continuously honed and updated, during the year 3 officers of CGTSI were nominated for training/ participation in symposium/ seminar/ workshops in the areas of SME financing, social financing of SMEs, Management of Systems security, Lotus Domino administration.





**Management & Organisation**

- 16.1 During the financial year, there has been a change in the composition of Board of Trustees of CGTSI with the Chairman of IBA being nominated as Ex-officio member in place of ED (Priority Sector), RBI with effect from July 2001. Other members of Board of Trustees include Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (SSI) of Gol as ex-officio Vice-Chairman and Chief Executive Officer of CGTSI as Member Secretary. During FY 2001-02, five meetings of the Board were held.
- 16.2 CGTSI appreciates on record the support and cooperation received from Ministry of SSI, office of DC (SSI), Gol, SIDBI, UNIDO, RBI, IBA, MLIs of CGTSI, SSI Industry Associations.
- 16.3 As on March 31, 2002, ten officers including CEO were on deputation with CGTSI from SIDBI. The Board appreciates the contribution made by them in operationalising the scheme effectively.

**Credit Guarantee Fund Trust for Small Industries**

For and on behalf of the Board of Trustees

Place: Mumbai  
Dated: July 19, 2002

**(P.B.Nimbalkar)**  
*Chairman*

Annexure-I**MLI-wise Guarantee Approved and Issued under Guarantee Scheme  
as on March 31, 2002**

Name of MLI	Date of becoming MLI	Actual commencement of availing guarantee cover	No. of SSI units approved * & (guarantee issued) **	Guarantee approved & (guarantee issued) (Rs. lakh)
Allahabad Bank	13/03/2001	21/12/2001	90 (9)	46.18 (24.08)
Andhra Bank	12/01/2001	28/03/2001	62 (57)	41.87 (37.72)
Bank of Baroda	06/11/2000	26/02/2001	53 (50)	43.83 (41.89)
Bank of India	20/02/2001	07/03/2001	286 (260)	211.54 (195.78)
Bank of Maharashtra	27/02/2001	30/03/2001	67 (66)	31.33 (30.38)
Canara Bank	19/03/2001	26/06/2001	543 (482)	833.74 (745.61)
Central Bank of India	29/01/2001	28/06/2001	153 (133)	82.93 (58.45)
Corporation Bank	11/01/2001	18/12/2001	1 (1)	4.95 (4.95)
Dena Bank	01/12/2000	30/03/2001	148 (146)	174.12 (172.95)
Indian Overseas Bank	21/11/2000	23/01/2001	119 (105)	122.86 (113.45)
NSIC	16/11/2000	09/01/2001	91 (65)	970.41 (693.85)
Oriental Bank of Commerce	16/02/2001	02/08/2001	7 (7)	3.90 (3.90)
Punjab & Sind Bank	13/12/2000	27/06/2001	8 (8)	4.63 (4.63)
Punjab National Bank	25/10/2000	02/02/2001	809 (743)	543.82 (504.71)
Syndicate Bank	31/05/2001	04/03/2002	4 (2)	1.96 (0.97)
Union Bank of India	24/11/2000	02/02/2001	806 (719)	439.61 (339.49)

\* Guarantee cover is approved as soon as the applications are received by CGTSI from MLIs in respect of eligible units covered under Guarantee Scheme.

\*\* Guarantee cover is issued on receipt of Guarantee Fee from MLIs in respect of SSI units for whom guarantee cover has been approved.

Annexure-II

**Industry-wise guarantees approved under  
Guarantee Scheme as on March 31, 2002**

Industry	No. of SSI Units	Loan Amount (Rs. lakh)
Basic Metal Industries	44 (19)	61.66 (27.59)
Beverages, Tobacco Etc.	14 (11)	22.07 (5.72)
Chemicals Etc.	26 (6)	94.32 (18.70)
Electrical Machinery	52 (15)	106.23 (11.13)
Food Products	303 (115)	399.19 (79.74)
Information Technology	55 (12)	224.22 (13.91)
Jute Textiles	27 (16)	15.00 (10.91)
Leather And Fur Products	37 (5)	17.56 (2.48)
Metal Products	192 (44)	318.07 (31.33)
Non-Metallic Products	28 (11)	55.42 (7.97)
Paper And Printing	57 (15)	203.25 (24.40)
Textile Products	284 (79)	157.45 (32.58)
Wood Furniture	185 (62)	118.58 (44.35)
Wool, Silk Etc.	105 (18)	31.52 (8.02)
Other Manufacturing	1838 (523)	1733.14 (287.54)
<b>Total</b>	<b>3247 (951)</b>	<b>3557.68 (606.37)</b>

Figures in bracket ( ) indicates previous year's corresponding figures

Annexure – IIIState-wise guarantees approved under Guarantee Scheme  
as on March 31, 2002

State	No. of SSI Units	Loan Amount (Rs. lakh)
A & Nicobar Islands	5	1.98
Andhra Pradesh	69	336.16
Assam	56	110.09
Bihar	54	50.76
Chandigarh	2	9.50
Chhattisgarh	71	54.81
Delhi	10	21.25
Goa	8	10.20
Gujarat	76	60.77
Haryana	68	94.79
Himachal Pradesh	133	57.35
Jammu & Kashmir	41	23.57
Jharkhand	77	74.69
Karnataka	219	584.46
Kerala	375	224.49
Madhya Pradesh	273	201.25
Maharashtra	184	426.71
Manipur	16	15.20
Meghalaya	3	1.47
Nagaland	1	0.15
Orissa	78	31.53
Punjab	158	112.62
Rajasthan	50	61.75
Sikkim	1	0.90
Tamilnadu	169	429.84
Uttar Pradesh	991	478.43
Uttaranchal	8	6.28
West Bengal	51	76.68
<b>Total</b>	<b>3247</b>	<b>3557.68</b>

Annexure - IV

Slab-wise analysis of credit proposals approved  
under Guarantee Scheme as on March 31, 2002

Range (Rs.)	No. of SSI units	Guarantee Cover approved (Rs. lakh)
Upto 25000	1210	210.24
25001 To 100000	1641	1025.01
100001 To 200000	145	237.35
200001 To 500000	110	408.30
500001 To 1000000	81	640.66
1000001 To 1500000	27	358.23
1500001 To 2500000	33	677.89
	<b>3247</b>	<b>3557.68</b>

## AUDITORS' REPORT

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

We have audited the attached Balance Sheet of **Credit Guarantee Fund Trust for Small Industries** as at 31<sup>st</sup> March, 2002 and also the Income and Expenditure Account for the period 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis.

We have to report that :

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) in our opinion, proper books of accounts as required by law, have been kept by the Trust so far as it appears from our examination of the books;
- c) the Balance Sheet and Income and Expenditure Account dealt with by this report are in agreement with the books of account;
- d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give true and fair view :
  - i) in the case of the Balance Sheet, of the state of affairs of the Trust as at 31st March 2002; and
  - ii) in the case of the Income and Expenditure Account, of the surplus of the Trust for the year ended on that date.

Place : Mumbai  
Date : July 19, 2002

For **Adukia & Associates**  
*Chartered Accountants*

**(Rajkumar S. Adukia)**  
*Partner*



BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2002

	Schedules	As on 31.03.2002 (Rs.)	As on 31.03.2001 (Rs.)
<b>Sources of Funds</b>			
Corpus Fund	1	2,500,000,000	1,250,000,000
Reserves & Surplus	2	175,900,447	190,665
Current Liabilities and Provision	3	101,887,074	-
<b>Total</b>		<b>2,777,787,521</b>	<b>1,250,190,665</b>
<b>Application of Funds</b>			
Investments	4	2,615,854,230	1,250,100,000
<b>Current Assets, Loans &amp; Advances</b>			
Cash in hand		5,000	-
Bank Balance	5	99,092	90,665
Accrued Income	6	121,846,545	-
Advance payment of Income Tax (Refundable)		39,982,654	-
<b>Total</b>		<b>2,777,787,521</b>	<b>1,250,190,665</b>
Notes forming part of Accounts	8		
Significant Accounting Policies	9		

As per our Report of even date attached

**For Adukia & Associates**

*Chartered Accountants*

**(Rajkumar Adukia)**

*Partner*

On behalf of the Board of Trustees

**(P.B.Nimbalkar)**

*Chairman*

Place : Mumbai

Date : July 19, 2002

**(Suresh Chandra)**

*Vice-Chairman*

**(N. Venkatasubramanian)**

*Member Secretary*

Income and Expenditure Account for the year ended 31<sup>ST</sup> March, 2002

	Schedules	2001-2002 (Rs.)	2000-2001 (Rs.)
<b>Income</b>			
Guarantee Fees		7,448,015	557,175
Interest on Investments		278,525,827	724
Service Fees		807,921	-
		<b>286,781,763</b>	<b>557,899</b>
<b>Expenditure</b>			
Operating & Other Administrative Expenses	7	11,071,981	367,234
Excess of income over expenditure before making provisions		275,709,782	190,665
Provision for Guarantee claims		100,000,000	-
Excess of Income over Expenditure carried to Balance Sheet		<b>175,709,782</b>	<b>190,665</b>
<b>Notes forming part of Accounts</b>	8		
<b>Significant Accounting Policies</b>	9		
As per our Report of even date attached			
<b>For Adukia &amp; Associates</b>		On behalf of the Board of Trustees	
<i>Chartered Accountants</i>			
<b>(Rajkumar Adukia)</b>		<b>(P.B.Nimbalkar)</b>	
<i>Partner</i>		<i>Chairman</i>	
Place : Mumbai	<b>(Suresh Chandra)</b>	<b>(N. Venkatasubramanyan)</b>	
Date : July 19, 2002	<i>Vice-Chairman</i>	<i>Member Secretary</i>	





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

	As on 31.03.2002 (Rs.)	As on 31.03.2001 (Rs.)
<b>Schedule : 1</b>		
<b><u>Corpus Fund</u></b>		
<b><u>Received from :</u></b>		
Government of India	2,000,000,000	1,000,000,000
SIDBI	500,000,000	250,000,000
	<u>2,500,000,000</u>	<u>1,250,000,000</u>
<b>Schedule : 2</b>		
<b><u>Reserves &amp; Surplus</u></b>		
<b><u>Income &amp; Expenditure Account</u></b>		
Opening Balance	190,665	-
Add: Excess of Income over Expenditure for the current year	175,709,782	190,665
	<u>175,900,447</u>	<u>190,665</u>
<b>Schedule : 3</b>		
<b><u>Current Liabilities and Provision</u></b>		
Provision for Guarantee Claims	100,000,000	-
Provision for outstanding liabilities	1,864,724	-
Guarantee fee received in excess, refundable	22,350	-
	<u>101,887,074</u>	<u>-</u>

	As on 31.03.2002 (Rs.)	As on 31.03.2001 (Rs.)
<b>Schedule : 4</b>		
<b>Investments</b>		
Investment in Bonds	300,000,000	1,000,000,000
Investment in Fixed Deposits	2,308,452,123	250,000,000
Investment in Short Term Fixed Deposits	7,402,107	100,000
	<u>2,615,854,230</u>	<u>1,250,100,000</u>

**Schedule : 5****Bank Balance**

Current Accounts with:

State Bank of India	1,000	-
HDFC Bank Ltd	4,420	62,456
IDBI Bank Ltd.	92,341	8,364
Punjab National Bank	1,331	19,845
	<u>99,092</u>	<u>90,665</u>

**Schedule : 6****Accrued Income**

Guarantee Fee	570,958	-
Service Fee	800,000	-
Interest on Investments	120,475,587	-
	<u>121,846,545</u>	<u>-</u>



	2001-2002 (Rs.)	2000-2001 (Rs.)
<b>Schedule : 7</b>		
<b>Operating and Other Administrative Expenses</b>		
Salaries & Allowances to employees	3,293,212	-
Web Hosting Expenses	442,344	-
Advertisement & Publicity Expenses	3,116,340	-
Bank Charges	1,440	-
Car Hire Charges	311,710	-
Computer Software Charges	250,850	-
Courier/Postage Charges	55,629	-
Audit fee	20,000	-
Professional fees	627,500	-
Internal Auditors Fee	161,959	-
Miscellaneous Expenses	167,970	350
National Advisory Committee Meeting Expenses	79,026	-
Office Expenses	441,419	-
Printing & Stationery	246,963	-
Rent	330,323	-
Service Charges	1,024,983	-
Telephone Expenses	253,039	-
Training Expenses	37,091	-
Travelling Expenses	210,183	366,884
	<u>11,071,981</u>	<u>367,234</u>

**Schedule : 8****Notes forming part of Accounts**

1. Previous Year figures have been regrouped or rearranged wherever necessary.
2. The Trust has provided Guarantee cover to the tune of Rs. 29,78,03,836.80 as on March 31,2002 (Previous year Rs. 2,22,87,006/-) for the credit facility extended by the lending institutions to various Small Scale Industries.
3. As per the Memorandum of Understanding entered into between SIDBI and the Trust on October 04,2001, 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. Advance payment of Income Tax (Refundable) includes Rs. 71,643/- towards tax paid for FY 2000-01 and Rs. 3,99,11,011.55 towards advance tax paid and TDS for FY 2001-02. The tax paid for FY 2000-01 has been claimed as refund under S.11 of the Income Tax Act, 1961 as the Trust is registered under S.12A of the Income Tax Act, 1961. The Trust's income is exempt from Income Tax for a period of 5 years commencing from FY 2001-02 by virtue of S.10(23EB) of the Income Tax Act, 1961 inserted by the Finance Act, 2002.
5. The Trust changed the method of accounting from cash system to accrual system during the year. As a result of this change, the income of the Trust is higher by Rs. 19,681,413.

**Schedule : 9****Significant Accounting Policies****1. Accounting Convention**

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

**2. Recognition of Income and Expenditure**

The Trust changed the method of accounting from Cash basis to Accrual basis during the year.

**3. Investments**

Investments have been stated at cost.



**4. Taxation**

The income of the Trust is exempt from income Tax and accordingly, no provision for income tax has been made.

**5. Contingent Liabilities**

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

As per our Report of even date attached.

For **Adukia & Associates**

*Chartered Accountants*

**(Rajkumar Adukia)**

*Partner*

On behalf of the Board of Trustees

**(P.B.Nimbalkar)**

*(Chairman)*

Place: Mumbai

Dated: July 19, 2002

**(Suresh Chandra)**

*Vice-Chairman*

**(N. Venkatasubrananyan)**

*Member Secretary*