

Credit Guarantee Fund Trust for Small Industries

Registered Office :

**12th Floor, Nariman Bhavan,
227, Vinay K. Shah Marg, Nariman Point,
Mumbai - 400 021.**

4th Annual Report 2003-2004

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Letter of Transmittal

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

August 18, 2004

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

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

Dear Sirs,

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

- 1) A copy of audited accounts of the Trust for the year ended March 31, 2004, together with Auditors' Report, and
- 2) A copy of the report on the working of Credit Guarantee Fund Trust for Small Industries for the period ended March 31, 2004.

Yours faithfully,

Sd/-

(N K Maini)
Chief Executive Officer

Board of Trustees

(as on July 31, 2004)

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

National Advisory Committee (as on July 31, 2004)

1. **Shri V. K. Chopra**
CMD, SIDBI *Chairman*
2. **Shri Suresh Chandra**
AS & DC (SSI), Ministry of SSI, Gol
3. **Shri V. Leeladhar**
Chairman, Indian Banks' Association
4. **Shri N. Balasubramanian**
DMD, SIDBI
5. **Ms. S. E. Prasad**
GM (RPCD), RBI
6. **Shri C. Sundarashyam**
CGM (Development Banking), State Bank of India
7. **Shri D. L. Rawal**
GM, Punjab National Bank
8. **Shri R. Prabha**
GM, Canara Bank
9. **Shri Balwant Rai Gupta**
President, Laghu Udyog Bharati
10. **Shri Ashok Poddar**
President, Federation of Association of Small Industries of India
11. **Shri Nalin Kohli**
President, Association of Small & Medium Electronics & Information Industries
12. **Dr. Ruidar Datt**
Rtd. Professor, Delhi University
13. **Dr. Bharat Jhunjhunwala**
Rtd. Professor, IIM (Bangalore)
14. **Shri Chandrakant Salunkhe**
Executive President, Jagatik Marathi Chamber of Commerce & Industry
15. **Ms. Uma Reddy**
President, Association of Women Entrepreneurs of Karnataka
16. **Shri N. K. Maini**
Chief Executive Officer, CGTISI

Member Lending Institutions of CGTSI (as on July 31, 2004)

(A) SCHEDULED COMMERCIAL BANKS

(i) PUBLIC SECTOR BANKS

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

(ii) SBI AND ITS ASSOCIATE BANKS

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

(iii) PRIVATE SECTOR BANKS

- | | |
|---------------------------|----------------------------------|
| 1) Global Trust Bank Ltd. | 6) The Bank of Rajasthan Ltd. |
| 2) HDFC Bank Ltd | 7) The Jammu & Kashmir Bank Ltd. |
| 3) ICICI Bank Ltd | 8) The South Indian Bank Ltd. |
| 4) IDBI Bank Ltd | 9) The United Western Bank Ltd. |
| 5) IndusInd Bank Ltd. | 10) UTI Bank Ltd. |

(B) REGIONAL RURAL BANKS

- | | |
|---|---|
| 1) Prathama Bank, UP | 4) Howrah Grameen Bank, WB |
| 2) Sabarkantha – Gandhinagar Gramin Bank, Gujarat | 5) Godavari Grameena Bank, AP |
| 3) Sri Saraswathi Grameena Bank, AP | 6) Shivalik Kshetriya Gramin Bank, Punjab |

(C) OTHER INSTITUTIONS

- | | |
|---|---|
| 1) National Small Industries Corporation Ltd. | 3) Small Industries Development Bank of India |
| 2) North Eastern Development Finance Corporation Ltd. | |

Report on the working of the Credit Guarantee Fund Trust for Small Industries for the year ended March 31, 2004

Introduction

- 1.1 Small industry has been one of the major planks of India's economic development. Policymakers have always regarded SSI to be at the center stage of economic growth and a panacea for providing a solution to growing unemployment. SSI, in turn, has displayed remarkable dynamism and has acquired a position of strategic importance due to its significant contribution in terms of output, exports and employment. As per the census of registered and unregistered units held for the year 2001-02, there were 105.21 lakh SSI units in the country (13.75 lakh registered and 91.46 lakh unregistered). It is estimated that during 2003-04, the number of units has increased to 115.22 lakh. The gross value of the output of these units at current prices is estimated at Rs.3,48,059 crore and they provide employment to over 273 lakh persons. Stagnant employment in agriculture and large industry necessitate a renewed focus on SSIs to meet the needs of growth, capacity building and equity on a much larger canvas.
- 1.2 According to advance estimates of GDP for 2003-04 released by the Central Statistical Organization, the Indian economy posted an impressive growth of 8.10% in Gross Domestic Product during the year 2003-04, with all the three sectors viz. agriculture, industry and services, reflecting the growth trend. Industrial growth in the country has been gaining momentum in the reporting period. The overall growth of the industrial sector at 6.6% is also higher than that of 6.2% in the previous year reflecting higher growth in manufacturing sector. The services sector has grown by 8.2% as compared to 7.2% in the previous year. This opens up greater avenues for stable and healthy growth of the small scale industries in the country.
- 1.3 The small scale sector has been exposed to intensifying competition since 1991. It has been confronted with an increasingly competitive environment, inter-alia, due to liberalisation of the investment regime in the early 1990s and the formation of the World Trade Organisation (WTO) in 1995, resulting in its member-countries (including India) substantially scaling down quantitative and non-quantitative restrictions on imports, and domestic economic reforms.
- 1.4 The cumulative impact of all these developments is a remarkable transformation of the economic environment in which the small industry operates. In order to compete effectively, the small industry needs to overcome the problems presented by technological obsolescence, inadequate infrastructure and lack of adequate and timely finance. Post-1991, the SSIs have almost always outperformed the overall industry in their growth rate. But the nature and sustainability of such successes over the long haul have evoked debates. Among other factors, technological modernisation, marketing with a focus on exports, adequate fulfilment of credit needs by a streamlined policy framework, and provision of need based institutional and infrastructural support are required for SMEs to move up the value chain.

- 1.5 The increase in the competitiveness of small industry will also be determined by the availability and quantum of finance. The demand for finance, implicit as well as explicit, from small industry will be substantial considering its size, structure, growth pattern, need for restructuring and technology development. Particularly, the investment demand for finance from small industry will increase considerably due to technology upgradation and modernisation, expansion (of efficient ones), quality improvement, Research and Development and technological innovations, and environment-related investments.
- 1.6 A comprehensive strategy and collaborative efforts by the government, private and non-formal sector are necessary to realise the Tenth Plan objectives of 8 per cent GDP growth, 10 per cent industrial growth and one million jobs a year. The total requirement of funds projected by the Working Group on SSIs for the Tenth Plan, assuming a 12% rate of growth, is Rs.63,357 crores for long term credit and Rs.1,22,942 crores for working capital funds. This must be compared with the actual flow of credit of Rs. 38,000 crores for long term funds and projected amount of Rs.64,177 crores towards working capital at the end of the 9th Plan.
- 1.7 The Working Group on the Flow of Credit to SSI Sector (Ganguly Committee), in its recent report submitted to the RBI, has identified that in an environment of high economic growth, the priority sector lending is an attractive growth opportunity for banks and FIs. Slowing down of off-take of credit by the large corporates due to opening up of new sources for accessing finance by them and stagnation of credit demand by retail business, makes financing the priority sector an opportunity to expand banks' business profitably.
- 1.8 According to the Report of the Third All-India Census of SSIs, the purview of institutional credit is still limited only to 14.91 per cent of SSI units in the country. This appears to be an indictment of the formal financial system to effectively cater to the specific needs and requirements of this dynamic and thriving sector.
- 1.9 CGTSSI strives to move ahead in close cooperation with its member lending institutions (MLIs) comprising banks and other financial institutions to fulfill its mandate of augmenting the credit flow to the SSI by offering innovative and customized guarantee products to the MLIs.

Corpus Fund of CGTSSI

- 2 The initial corpus of the Trust of Rs.125 crore contributed by the settlors, GOI and SIDBI, in the ratio of 4:1 in August 2000 has since been enhanced to Rs. 670.85 crore as on March 31, 2004. During FY 2003-04, CGTSSI received corpus contribution of Rs. 243 crore from its settlors.

Member Lending Institutions

- 3 As on March 31, 2004, 45 eligible lending institutions comprising 26 Public Sector Banks, 10 Private Sector Banks, 6 Regional Rural Banks and 3 other Institutions viz. NSIC, NEDFi and SIDBI had become Member Lending Institutions (MLIs) of CGTSSI for extending the collateral free (and without third party guarantee) credit facility to the viable SSI projects and participating in the guarantee scheme. During the period under review, State Bank of Travancore, Global

Trust Bank Ltd., Godavari Grameen Bank, The Bank of Rajasthan Ltd., UTI Bank Ltd., Shivalik Kshetriya Gramin Bank, and The Jammu & Kashmir Bank Ltd. joined as new MLIs. During the year, two private sector banks viz. UTI Bank Ltd. and The United Western Bank Ltd. started availment of guarantee cover. State Bank of Travancore (new MLI) and State Bank of Patiala (a dormant MLI, so far) have started availment under CGS.

Technology Based Transactions

- 4 As reported in the last annual report, the work relating to second phase of software development, awarded to Satyam Computer Services Ltd., is under progress and is expected to be completed by September 2004. The software when developed, would enable CGTSI to seamlessly integrate all its operation modules, enhancing the capability of the system to perform additional functions like on-line submission of periodic information, settlement of claims, operations under Mutual Credit Guarantee Scheme, etc.

Modifications to the Credit Guarantee Scheme

- 5.1. During the year, it was decided to withdraw the minimum ceiling of Rs. 5 lakh (introduced in February 2003) on credit limit for coverage under CGS.
- 5.2. With effect from September 01, 2003, the credit facilities upto Rs. 25 lakh sanctioned without collateral security and / or third party guarantee by the MLIs to the new and existing Small Scale Service & Business (Industry Related) Enterprises (SSSBs) were made eligible for coverage under CGS, thereby enlarging the scope of the scheme.
- 5.3. With effect from September 01, 2003, additional credit facilities upto Rs. 25 lakh sanctioned by MLIs to the existing SSI borrowers, without collateral security and / or third party guarantee, were made eligible to be covered under CGS. The decision to release the collateral security and / or third party guarantee in respect of the existing credit facilities extended to the eligible SSI units was left to the discretion of the respective MLI.
- 5.4. Based on the request of some MLIs for simplifying the claim form for invocation of guarantee, discussions were held with a few operating offices of MLIs. The claim form was simplified and made available on CGTSI web-site at www.cgtsi.org.in for downloading and use by the operating offices of MLIs.

Awareness Programmes

- 6.1 Ever since its inception, CGTSI has followed a strategy of creating awareness about the scheme amongst SSI entrepreneurs and member banks/ institutions. With regard to demand side awareness, as a matter of policy, CGTSI has been participating in various seminars organized with active cooperation of SSI Industry Associations. CGTSI would continue to give due importance to such awareness programmes.

a) Workshops for MLIs

In order to create awareness amongst the banks, 34 interactive seminars/ workshops-cum-training programmes have been conducted successfully by CGTSI at various centers across

the country for the benefit of operating staff of the MLIs. In consultation with some banks, resource persons have been trained to enable them to train other officers from their bank. Leading PSBs such as State Bank of India, Canara Bank, Bank of Baroda, Union Bank of India, Central Bank of India, Punjab National bank, etc. have issued special advertisements in the newspapers citing the various facilities available for the SSI sector, including the collateral free credit upto Rs.25 lakh under the Credit Guarantee Scheme. Updated information on the functioning of CGTSI has been posted on the Trust's website and mails received from existing / prospective SSI entrepreneurs are being attended to promptly.

b) **Presentation on CGS made at Seminars organised by Industry Associations and at other Meets**

CGTSI has participated in 33 seminars / meets organised by the various SSI industry associations in their areas and given presentation on the Credit Guarantee Scheme. These seminars have been attended by the bank managers from their areas, officials from DICs, SISIs, State Governments, beside the member borrowers of the organizing associations. At the Industry Associations' Meets, CGTSI has been requesting them to publicise CGS through the channels available with them. In addition, CGTSI participated in 25 state level meeting (SLBC/SLIIC) and 3 business exhibitions and fairs. Advertisement support was given for publishing advertisements / write-up on Credit Guarantee Scheme, to (i) World Association for Small & Medium Enterprises (WASME) for its monthly magazine 'World SME News', and (ii) Thane Small Scale Industries Association for their magazine 'TEJAS'.

- 6.2 In continuation of its earlier exercise, a series of three advertisements were released in regional language newspapers covering the States of Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal. CGTSI has successfully utilized the media channel strategy to position and propagate its guarantee scheme among the various SSI interest groups, through print media (newspapers / magazines), posters (at bank branches, offices of SISI, DICs etc.), direct mailers, industrial directories, trade journals, souvenirs of industry associations, etc.

Advertisements on the Credit Guarantee Scheme have been issued in vernacular languages, through SIDBI's network, in various states across the country. So far, advertisements in Oriya (Orissa), Punjabi (Punjab, Chandigarh), Gujarati (Gujarat), Hindi (UP, MP, Uttaranchal, Bihar, J&K), Kannada (Karnataka), Telugu (AP), Tamil (Tamilnadu), Malayalam (Kerala), Bengali (Tripura), Khasi (Meghalaya), Marathi (Maharashtra) and English (Maharashtra, J&K, Tamilnadu) have been issued. Besides, CGTSI has been disseminating information on the Scheme through the network of SIDBI offices in various State / District level meetings.

- 6.3 A Link Officer has been identified by the Ministry of SSI in every SISI office with a view to using the SISI network for scheme promotion and greater awareness creation. To familiarize these Link Officers with the features and operations of CGS, workshops are being conducted from time to time in different parts of the country.
- 6.4 CGTSI has circulated the inaugural issue of its quarterly newsletter 'Credit Link' amongst SSI industry associations, Member Lending Institutions of CGTSI, Government agencies / departments, etc. The newsletter aims at giving wider publicity to the CGS through various

available channels. It gives information about policy changes in CGS, progress made in operations and other related updates. The newsletter has been well received and has generated good interest amongst the stakeholders.

Performance of Scheme

- 7.1 During FY 2003-04, twenty-seven scheduled commercial banks, SIDBI and NSIC availed of the guarantee facility in respect of their collateral-free/third party guarantee-free credit to SSI units. Particulars of MLI-wise guarantees approved, issued and in force, by, CGTSI as on March 31, 2004 are given in **Annexure I**.
- 7.2 As on March 31, 2004, 14805 projects were approved for guarantee cover, as against 8202 projects approved as on March 31, 2003, registering a growth of 80%. The aggregate loan amount for which approval for guarantee cover was granted stood at Rs. 211.85 crore, which is 125% higher than the corresponding figure for March 31, 2003. The SSI units assisted under Credit Guarantee Scheme are expected to generate employment to 47,182 persons, turnover and exports of Rs. 1519 crore and Rs. 19.27 crore, respectively.
- 7.3 As on March 31, 2004, cumulative guarantees issued were in respect of 12468 units for Rs.167.08 crore. The guarantees issued had registered a growth rate of 82 per cent by way of number of units and 111 per cent by way of amount of credit for guarantee cover over the previous year.
- 7.4 As on March 31, 2004, the top five MLIs which provided credit under Credit Guarantee Scheme were Canara Bank (Rs.45.64 crore), State Bank of India (Rs.32.30 crore), Union Bank of India (Rs.26.59 crore), Punjab National Bank (Rs.20.45 crore) and Central Bank of India Rs.15.29 crore).
- 7.5 The industry-wise assistance made available by MLIs under the guarantee scheme, as on March 31, 2004, is given in **Annexure II**. Food products received maximum number of accounts as well as highest amount of assistance coverage under the guarantee scheme (1408 accounts; Guarantee approved for Rs. 19.77 crore), which was followed by Metal products (631 accounts; Guarantee approved for Rs. 16.09 crore), textile products (1107 accounts; Guarantee approved for Rs. 12.80 crore), and paper & printing (270 accounts; Guarantee approved for Rs. 10.73 crore).
- 7.6 The distribution of units covered under the scheme expanded to 31 States/ Union Territories. State-wise coverage of cumulative units under the guarantee scheme as on March 31, 2004 is given in **Annexure III**. Among the States, Uttar Pradesh lodged 36% of the total applications (5376 accounts), followed by Kerala (1943 accounts), Bihar (964 accounts), Karnataka (937 accounts) and Madhya Pradesh (681 accounts). Amount-wise, Karnataka (Rs.36.31 crore) topped the list, followed by Tamil Nadu (Rs.28.39 crore), Uttar Pradesh (Rs.25.55 crore), Madhya Pradesh (Rs.16.74 crore), and Maharashtra (Rs.16.17 crore).
- 7.7 Of the 14805 units covered under the scheme for Rs.211.85 crore, 12322 units (83 per cent)

pertained to the category having credit component of up to Rs.1 lakh; 1467 units (10 per cent) having credit component in the range of Rs. 1 – 5 lakh; 533 units (4 per cent) having credit component in the range of Rs. 5 –10 lakh; 211 units (1 per cent) having credit component in the range of Rs. 10–15 lakh and 272 units (2 per cent) were having credit component in the range of Rs. 15 – 25 lakh. Ninety three per cent of units assisted under the scheme were for loans upto Rs. 5 lakh. Amount-wise, 38 per cent of guarantee cover was for loans below Rs.5 lakh, 42 per cent of the guarantee cover was extended to loans between Rs.5 lakh and 20 lakh and the residual 20% guarantee covers were extended to cases where loan amount lay between Rs. 20-25 lakh. Slab-wise analysis of credit proposals approved under CGS is given in **Annexure IV**.

Auditors

- 8.1 M/s. Manoj Kumar Gupta & Co., Mumbai, a firm of Chartered Accountants, had been appointed as internal auditors of CGTSI, for the FY 2003-04. The Auditors have, on a continuing basis, 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. H.C.Gupta & Co., Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTSI for the FY 2003-04.

Tax Exemption to CGTSI

- 9 Under sub-section 23EB U/S 10 Chapter III of Income Tax Act, 1961 (inserted by the Finance Act, 2000), the income of CGTSI was exempted from tax payment for a period of 5 years commencing from the Financial Year 2001-02 (Assessment Year 2002-03).

Accounts

- 10.1 Income and Expenditure Account for the year ended March 31, 2004 and Balance Sheet as at March 31, 2004, together with the Auditors' Report are attached. During the FY 2003-04, the Trust earned income of Rs.5174.58 lakh, comprising mainly guarantee fee (Rs. 233.02 lakh), annual service fee (Rs. 87.54 lakh), interest earned on investments (Rs.4825.48 lakh), and brokerage on investments (Rs.27 lakh). Trust had incurred Rs.218.54 lakh towards various operative and administrative expenditures mainly comprising rent (Rs.39.25 lakh), advertisement and publicity expenses (Rs.71.69 lakh), IT services / web-hosting charges (Rs.12.92 lakh), salary (Rs.32.82 lakh), service charge to SIDBI (Rs.21.14 lakh), NAC meeting expenses, traveling expenses and other office expenses (Rs.24.90 lakh). The provision for claims has been made at Rs.2000 lakh. The excess of income over expenditure was Rs. 2956.04 lakh. The Trust follows accrual system of accounting for its income and expenditure effective FY 2001-02. Liability of the Trust in respect of a guaranteed account begins only on issue of guarantee, which depends on the actual receipt of guarantee fee in respect of the account approved for guarantee cover. Keeping this in view, M/s. RSM & Co., the then internal auditors of the Trust advised to reckon guarantee fee on cash basis. Hence, since FY 2002-03, Trust has been reckoning the income of guarantee fee on cash basis.

- 10.2 The total investment of the Trust as at March 31, 2004 stood at Rs. 707.42 crore as against Rs. 450.91 crore as at the end of the previous year. The Trust is contingently liable in respect of the guarantee cover issued by it. As on March 31, 2004, the guarantee cover issued by the Trust was Rs.167.08 crore; which had increased from Rs. 79.06 crore as at March 31, 2003. Out of guarantees issued, guarantees in force are for Rs.162.63 crore in respect of 11681 proposals.

Progress of Mutual Credit Guarantee Scheme

11. Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) formally launched MCGS on December 18, 2003 at the International Symposium of Women Entrepreneurs on Innovation and Best Practices, at Hyderabad. The tripartite agreement proposed to be entered into by ALEAP Credit Guarantee Association (ACGA), the dedicated bankers and CGTSI is under consideration of the interested banks and is expected to be finalised shortly. After the agreement is signed, ALEAP's MCGF will start operating.

Interface

- 12.1 The National Advisory Committee (NAC) constituted in May 2001 with representatives from GOI, SIDBI, RBI, IBA, Banks, Experts / Professionals, SSI Entrepreneurs, and SSI Industry Associations has so far held four meetings with its last meeting held on January 27, 2004. The NAC has been reconstituted in May 2003 and CGTSI places on record the valuable services rendered by the retired members.
- 12.2 With a view to building a mutually beneficial relationship between CGTSI and its MLIs, an IBA Review Forum was constituted comprising members nominated from Allahabad Bank, Central Bank of India, Punjab National Bank, State Bank of India and Vijaya Bank. The IBA forum has met twice so far and pursuant to its deliberations, some modifications have been carried out by CGTSI in the operational aspects of the Credit Guarantee Scheme.

Management & Organisation

- 13.1 The Board of Trustees comprises Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (SSI) of GoI as ex-officio Vice-Chairman, Chairman IBA as ex-officio member and Chief Executive Officer of CGTSI as Member Secretary. During FY 2003-04, four meetings of the Board were held.
- 13.2 Shri N. Balasubramanian, DMD, SIDBI, served as the chairman of CGTSI from March 1, 2003 to July 15, 2003. On appointment as CMD of SIDBI, effective July 16, 2003, Shri V.K.Chopra took over as ex-officio chairman of the Trust.
- 13.3 Shri N. Venkatsubramanian demitted the post of CEO, CGTSI on August 14, 2003 on his posting as Chief General Manager, Southern Zonal Office, SIDBI, Chennai. Thereafter Shri Utpal Bajpai had taken over as CEO with effect from August 18, 2003. The Board places on



record appreciation of the services rendered by Shri N. Venkatsubramanyam.

- 13.4 CGTSI places on record its deepest sense of grief over the unfortunate and untimely demise of Shri Utpal Bajpai, CEO, and Member Secretary to the Board of Trustees of CGTSI on April 14, 2004.
- 13.5 CGTSI appreciates on record the support and cooperation received from Ministry of SSI, Office of DC (SSI), GoI, SIDBI, RBI, IBA, MLIs of CGTSI, members of its National Advisory Committee and SSI Industry Associations.
- 13.6 As on March 31, 2004, eight officers including the CEO were on deputation with CGTSI from SIDBI. The Board appreciates the contribution made by them in operationalising the guarantee scheme effectively.

Credit Guarantee Fund Trust for Small Industries.

For and on behalf of the Board of Trustees

Place : Mumbai

Date : August 2, 2004

(V. K. Chopra)

Chairman

MLI-wise Guarantees Approved, Issued and in force under CGS as on 31/03/2004 (cumulative)

Sr. No.	Name of MLI	Guarantees Approved		Guarantees Issued		Guarantees in force	
		No. of SSI units	Loan Amount (Rs.Lakhs)	No. of SSI units	Loan Amount (Rs.Lakhs)	No. of SSI units	Loan Amount (Rs.Lakhs)
1.	Allahabad Bank	329	263.57	268	242.00	259	235.85
2.	Andhra Bank	98	125.77	88	110.27	87	109.77
3.	Bank Of Baroda	122	604.45	91	425.89	79	418.72
4.	Bank Of India	460	1037.92	422	815.59	361	765.06
5.	Bank Of Maharashtra	89	74.86	85	68.44	82	66.61
6.	Canara Bank	2676	4564.24	2598	4370.20	2580	4351.88
7.	Central Bank Of India	457	1529.15	387	1180.76	378	1165.51
8.	Corporation Bank	4	25.27	3	24.85	2	19.90
9.	Dena Bank	214	457.14	210	437.42	197	424.76
10.	Indian Bank	27	108.86	18	53.56	16	52.68
11.	Indian Overseas Bank	221	533.12	202	456.53	200	455.63
12.	NSIC Ltd.	167	1389.46	126	1147.78	126	1147.78
13.	Oriental Bank Of Commerce	9	33.90	9	33.90	7	32.80
14.	Punjab & Sind Bank	74	28.68	9	16.63	8	4.63
15.	Punjab National Bank	4442	2045.21	4167	1904.88	3987	1784.27
16.	SIDBI	26	501.44	10	180.06	10	180.06
17.	State Bank Of Hyderabad	4	56.90	0	0.00	0	0.00
18.	State Bank Of India	3021	3229.62	1956	1991.05	1516	1811.16
19.	State Bank Of Indore	26	80.01	10	53.93	10	53.93
20.	State Bank Of Mysore	19	169.60	16	135.70	16	135.70
21.	State Bank Of Patiala	7	5.20	0	0.00	0	0.00
22.	State Bank Of Travancore	288	213.27	3	7.19	3	7.19
23.	Syndicate Bank	46	278.88	42	241.90	42	241.90
24.	The United Western Bank Ltd.	17	55.22	14	48.80	14	48.80
25.	UCO Bank	37	241.01	15	66.04	15	66.04
26.	Union Bank Of India	1755	2659.19	1582	2120.50	1549	2108.00
27.	United Bank Of India	156	643.36	125	388.84	125	388.85
28.	UTI Bank Limited	1	25.00	0	0.00	0	0.00
29.	Vijaya Bank	13	205.07	12	185.06	12	185.06
	Total	14805	21185.37	12468	16707.77	11681	16262.54

**Industry-wise Guarantees Approved
under CGS as on 31/03/2004**

Sl. No.	Industry	No. of SSI Units	Loan Amount (Rs.lakh)
1.	Basic Metal Industries	256	953.99
2.	Beverages, Tobacco Etc.	29	37.73
3.	Chemicals Etc.	97	593.77
4.	Electrical Machinery	201	425.48
5.	Food Products	1408	1977.09
6.	Information Technology	153	786.56
7.	Jute Textiles	41	29.33
8.	Leather And Fur Products	180	122.49
9.	Metal Products	631	1608.60
10.	Non-Metallic Products	165	574.77
11.	Paper And Printing	270	1073.35
12.	Repairing Services	537	266.12
13.	Services(Industry Related)	50	106.85
14.	Textile Products	1107	1279.79
15.	Wood Furniture	1116	788.24
16.	Wool, Silk Etc.	519	192.11
17.	Other Manufacturing	8045	10369.10
	Total	14805	21185.37

CGTSI - State-wise Guarantees Approved under CGS as on 31/03/2004

Sr. No.	State	No. of SSI Units	Loan Amount (Rs.lakh)
1.	Andaman & Nicobar Islands	10	7.80
2.	Andhra Pradesh	573	934.53
3.	Assam	103	457.24
4.	Bihar	964	680.13
5.	Chandigarh	7	50.54
6.	Chhattisgarh	137	344.62
7.	Daman & Diu	4	41.25
8.	Delhi	52	356.27
9.	Goa	22	39.40
10.	Gujarat	136	454.15
11.	Haryana	165	476.43
12.	Himachal Pradesh	272	277.80
13.	Jammu & Kashmir	131	137.91
14.	Jharkhand	398	738.18
15.	Karnataka	937	3630.54
16.	Kerala	1943	1481.02
17.	Madhya Pradesh	681	1674.37
18.	Maharashtra	353	1617.29
19.	Manipur	28	34.66
20.	Meghalaya	4	2.47
21.	Nagaland	8	65.88
22.	Orissa	442	368.28
23.	Pondicherry	8	118.00
24.	Punjab	316	328.89
25.	Rajasthan	341	545.18
26.	Sikkim	5	26.83
27.	Tamilnadu	694	2839.00
28.	Tripura	1	21.86
29.	Uttar Pradesh	5376	2554.80
30.	Uttaranchal	20	68.18
31.	West Bengal	674	811.87
	Total	14805	21185.37

Slabwise Analysis of credit proposals approved under CGS as on 31/03/2004

Sr. No.	Range (Rs.)	No. of SSI Units	Guarantee Cover approved (Rs.lakh)
1.	Upto 1,00,000/-	12322	4107.41
2.	100,001 to 500,000/-	1467	4051.96
3.	500,001 to 10,00,000/-	533	4260.00
4.	10,00,001/- to 15,00,000/-	211	2815.87
5.	15,00,001/- to 20,00,000/-	100	1838.54
6.	20,00,001/- to 25,00,000/-	172	4111.59
	Total	14805	21185.37

Auditor's Report

To,

The Board of Trustees

Credit Guarantee Fund Trust for Small Industries

We have audited the attached Balance Sheet of Credit Guarantee Fund Trust for Small Industries as at 31st March 2004 and also the Income and Expenditure Account for the year ended on that date annexed thereto :

These financial statements are the responsibility to the management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis.

We have to report that:

- a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b) in our opinion, proper books of accounts as required by law, have been kept by the Trust so far as it appears from our examination of the books;
- c) the Balance Sheet and Income and Expenditure Account dealt with by this report are in agreement with the books of account;
- d) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Trust as at 31st March 2004; and
 - ii) in the case of the Income and Expenditure Account, of the surplus of the Trust for the year ended on that date.

For **H. C. Gupta & Company**
Chartered Accountants

Place : Mumbai

Date : August 2, 2004

(**T. H. Gupta**)

Partner

Balance Sheet as at March 31, 2004

Particulars	Schedules	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
SOURCES OF FUNDS			
Corpus Fund	1	6,708,537,500	4,270,187,500
Reserves & Surplus	2	632,538,423	336,934,402
Current Liabilities & Provisions	3	441,997,005	242,225,242
Total		7,783,072,928	4,849,347,144
APPLICATION OF FUNDS			
Investments	4	7,074,160,000	4,509,057,776
Current Assets, Loans & Advances			
Cash in hand		4,784	1,543
Bank Balance	5	213,017	256,125
Accrued Income	6	707,948,119	333,307,627
Receivables		747,008	2,127,577
Advance payment of Income Tax (Refundable)		0	4,596,496
Total		7,783,072,928	4,849,347,144
Notes forming part of Accounts	8		
Significant Accounting Policies	9		

As per our Report of even date attached

On behalf of the Board of Trustees

For **H. C. Gupta & Company**
Chartered Accountants

(T.H.Gupta)
Partner

(V. K. Chopra)
Chairman

Place : Mumbai
Date : August 2, 2004

(Suresh Chandra)
Vice-Chairman

(N. K. Maini)
Member Secretary

Income and Expenditure Account for the year ended March 31, 2004

Particulars	Schedules	Amount(Rs.)	Amount(Rs.)
		2003-04	2002-03
Income			
Interest on Investments		482,547,553	298,119,633
Guarantee Fees		23,302,623	12,678,634
Annual Service Fees		8,753,932	3,717,943
Interest on Advance Tax Refund		153,830	2,523,376
Brokerage and Commission Account		2,700,000	0
		514,757,938	317,039,586
Expenditure			
Operating and Other Administrative Expenses	7	21,853,917	16,005,631
Excess of Income Over Expenditure		495,604,021	301,033,955
Provisions for Guarantee claims		200,000,000	140,000,000
Excess of Income over Expenditure carried to Balance Sheet		295,604,021	161,033,955

As per our Report of even date attached

On behalf of the Board of Trustees

For **H. C. Gupta & Company**

Chartered Accountants

(T.H.Gupta)

Partner

(V. K. Chopra)

Chairman

Place : Mumbai

Date : August 2, 2004

(Suresh Chandra)

Vice-Chairman

(N. K. Maini)

Member Secretary

Schedules forming part of the Balance Sheet and Income and Expenditure Account

	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Schedule : 1		
Corpus Fund		
Received from:		
Government of India	5,336,150,000	3,416,150,000
SIDBI	1,372,387,500	854,037,500
	<u>6,708,537,500</u>	<u>4,270,187,500</u>
Schedule : 2		
Reserves & Surplus		
Income & Expenditure Account		
Opening Balance	336,934,402	175,900,447
Add : Excess of Income over Expenditure for the current year	295,604,021	161,033,955
	<u>632,538,423</u>	<u>336,934,402</u>
Schedule : 3		
Current Liabilities and Provisions		
Provision for Guarantee claims made in the previous year	240,000,000	100,000,000
Provision for Guarantee Claims	200,000,000	140,000,000
Provision for Outstanding Liabilities	1,894,972	2,225,242
Annual Service Fee Received in Excess Refundable	102,033	0
	<u>441,997,005</u>	<u>242,225,242</u>
Schedule : 4		
Investments		
Investment in Bonds	300,000,000	300,000,000
Investment in Fixed Deposits	6,754,098,908	4,203,172,031
Investment in Short Term Fixed Deposits	20,061,092	5,885,745
	<u>7,074,160,000</u>	<u>4,509,057,776</u>
Schedule: 5		
Bank Balance		
Current Accounts with :		
State Bank of India	117,000	42,376
HDFC Bank Ltd.,	2,001	500
IDBI Bank Ltd.,	90,625	212,809
Punjab National Bank	3,391	440
	<u>213,017</u>	<u>256,125</u>

Schedules forming part of the Balance Sheet and Income and Expenditure Account

	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Schedule : 6		
Accrued Income		
Guarantee Fee	0	0
Service Fee	8,100,000	3,500,000
Interest on Investments	699,848,119	329,807,627
	707,948,119	333,307,627
Schedule : 7		
Operating and Other Administrative Expenses		
Advertisement & Publicity Expenses	7,169,398	4,276,917
Audit Fee	21,600	35,750
Bank Charges	1,450	2,650
Board Meeting Expenses	241,799	0
Car Hire Charges	332,020	377,845
Claims Paid	262,239	0
Computer Software Charges	18,100	100,000
Courier/Postage Charges	135,490	77,693
Fee Paid to Consultant	1,250	5,000
Internal Auditors Fee	128,000	209,900
IT Service	549,176	0
Miscellaneous Expenses	65,629	117,107
National Advisory Committee	269,635	87,536
Office Expenses	1,043,721	951,544
Paise Adjustment A/C	2	0
Port Rentals	101,250	0
Printing & Stationary	270,100	254,156
Reimb of Expenditure to Employee	621,768	0
Rent	3,925,092	2,870,701
Salaries & Allowances to employees	2,660,234	3,014,584
Service Charges paid to SIDBI	2,114,215	1,365,839
Stationery Expenses and Computer Consumables	60,389	0
Telephone Expenses	42,055	44,881
Training Expenses	18,525	23,000
Travelling Expenses	1,176,574	396,855
Web Hosting / ISDN / LSD Line Charges	624,206	1,793,673
	21,853,917	16,005,631

Schedules forming part of the Balance Sheet and Income and Expenditure Account

Schedule : 8

Significant Accounting Policies and Notes to Accounts

A) ACCOUNTING POLICIES

1. Accounting Convention

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

2. Recognition of Income and Expenditure

The Trust follows the Cash basis of accounting in respect of Guarantee Commission and accrual basis for Annual Service Fee and Investment Income.

3. Investments

Investments have been stated at cost.

4. Taxation

The income of the Trust is exempt from Income Tax for 5 previous years relevant to the Assessment Years commencing from April 1, 2002 and ending on March 31, 2007. Accordingly, no provision for income tax has been made during the year ended March 31, 2004.

5. Contingent Liabilities

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

B) NOTES TO ACCOUNTS

1. Previous Year figures have been regrouped or rearranged wherever necessary.
2. The Trust has provided Guarantee cover to the tune of Rs.1,626,254,000 (Previous year Rs.79,06,25,282) 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, the Trust makes the payment of service charge @20% on the expenses incurred by SIDBI on behalf of the Trust towards administrative expenses directly attributable to the functioning of the Trust.
4. Adhoc provision on ASF has been made during the year after deduction of 25% from the estimated Annual Service Fee Receivable (based on pro-rata basis) on the guaranteed accounts, as has been done in previous year.