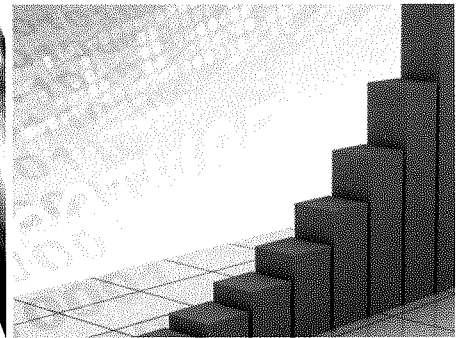


# Content ▪▪▪

Letter of Transmittal	57
Message from the Chairman	58
Message from CEO	61
Board of Trustees	62
Indian Economy	65
Importance & growth of Micro and Small Enterprises	69
Bank credit to Micro and Small Enterprises	73
Report on working of the CGTMSE for the year ended March 31, 2008	77
Auditors Report	97
Balance Sheet & Statement of Accounts	98





Entrepreneurship: Dreams in Motion!

# Letter of Transmittal

**Credit Guarantee Fund Trust for Micro and Small Enterprises**

SME Development Centre, 7th Floor,  
C-11 / G-Block, Bandra Kurla Complex,  
Bandra (East), Mumbai - 400 051.

**September 12, 2008**

To,

**The Additional Secretary & Development Commissioner (MSME)**

Ministry of Micro, Small & Medium Enterprises,  
Govt. of India, Office of the Development Commissioner (MSME),  
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:

- A copy of audited accounts of the Trust for the financial year ended March 31, 2008, together with Auditors Report, and
- A copy of the report on the working of Credit Guarantee Fund Trust for Micro & Small Enterprises for the period ended March 31, 2008.

Yours faithfully,

sd/-

(O. S. Vinod)

Chief Executive Officer

# Message from the Chairman



- Shri. R. M. Malla

“ The credit flow, particularly to MSE sector has to be sustained and further enhanced to overcome the emerging challenges arising from the aftermath of the global financial crisis. ”

Ladies & Gentlemen,

Mumbai,  
September 12, 2008

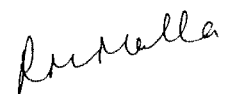
It is a matter of great satisfaction that the operations of CGTMSE has registered a sharp increase in the recent past. In June 2008, the 1,00,000th Credit Guarantee approval was released at the hands of Honorable Union Finance Minister, which is a landmark achievement for the Trust. While the performance is laudable, it has also brought into sharper focus the need to quickly scale up the coverage under Credit Guarantee Scheme keeping in view the large uncovered segment in the MSE space. We are actively collaborating with all the Member Lending Institutions (MLIs), Industry Associations and other development agencies to reach out to Micro and Small Enterprises (MSEs) across the country for rapidly increasing the guarantee coverage. More emphasis is being given on information sharing, conducting seminars and workshops on Credit Guarantee Scheme and sensitizing the branch-level functionaries of MLIs on the urgency and need for financing larger number of MSEs under Credit Guarantee Scheme. We are hopeful that the results of these efforts are bound to fructify in the days to come.

The Indian banking sector has continued to remain structurally strong and with proactive steps taken by Reserve Bank of India has sufficient liquidity to meet the credit needs of various sectors of the economy. Nevertheless, domestic banks and financial institutions have a greater responsibility to doubly ensure that stringent risk mitigation measures are in place and remain effective to combat any unforeseen threats. The credit flow, particularly, to MSE sector has to be sustained and further enhanced to overcome the emerging challenges arising from the aftermath of the overseas financial crisis. CGTMSE, therefore, has an important and challenging role to play in providing necessary comfort to MLIs in their MSE lending strategy.

It is equally necessary for the MSEs to reassess its capabilities vis-à-vis its major competitors, innovate and redefine its marketing strategies to achieve and sustain higher growth rates. CGTMSE's efforts are aimed at facilitating higher credit flow and minimizing credit risk of banks / institutions for lending to MSE sector and to extend them guarantee support in an increasing measure. It is heartening to note that the operations of CGTMSE during FY 2008 has registered growth in terms of number of units covered under guarantee approvals as well as amount guaranteed and is poised to grow rapidly. This also partly reflects the growing confidence amongst MLIs about the beneficial aspects of Credit Guarantee Scheme (CGS) as also about the ability of the Trust in delivering on its commitments.

CGTMSE has been constantly endeavouring to improve its services through various innovative measures, in setting higher performance parameters and encouraging global best practices in all areas of operation. To all those whom we are privileged to serve, we wish to thank you for your support and assure you of our deep and abiding commitment to provide improved services in future.

Regards,

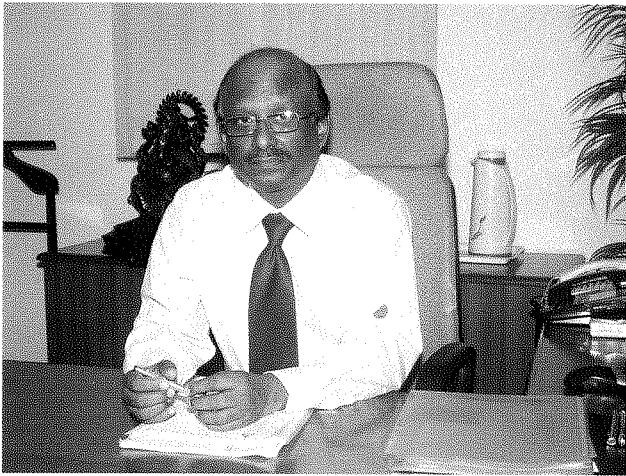


R. M. Malla

“ You must be the change  
you wish to see in the world.”

- *Mahatma Gandhi*

# Message from the CEO



Ladies & Gentlemen,

Mumbai  
September 12, 2008

The operations under Credit Guarantee Scheme (CGS) during FY-2008 have recorded growth both in terms of numbers and amount guaranteed. This has been largely possible due to the sustained and concerted efforts put in by all Member Lending Institutions (MLIs) and their officials at the operating level in originating and covering eligible proposals under CGS. 30285 proposals for Rs. 1055.84 crore were accorded guarantee approval in FY 2008 as against 27457 proposals for Rs. 704.54 crore in FY-2007. Cumulatively as on March 31, 2008, 97282 proposals for Rs. 2701.59 crore had been extended guarantee cover.

The various policy modifications made in the CGS during FY-2008 has had a positive impact on increasing the coverage. However, the full impact would be visible in the current financial year. During the year under review, select categories of Regional Rural Banks (RRBs) have been included as MLIs and it is felt that larger number of proposals would emanate from rural and semi urban areas, where these banks have greater branch network.

Existing MLIs are also being targeted to enhance the coverage under CGS and a vigorous campaign has been launched to train operating level officials of the MLIs across the country. With a view to creating greater awareness about the CGS, an advertisement campaign has been released in newspapers and periodicals and the results have been encouraging.

CGTMSE is poised to expand its operations rapidly and has re-engineered its processes to meet the increasing demand for guarantee coverage. Both the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India and Small Industries Development Bank of India (SIDBI), Settlers of the Trust, have extended unstinted support and cooperation to CGTMSE in achieving its objectives and I am grateful to them for their continued encouragement and positive contribution to policy initiatives of the Trust.

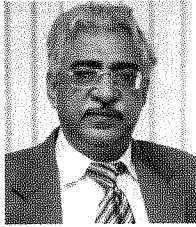
The year ahead is full of challenges for CGTMSE in terms of scaling up the operations and meeting the higher targets, providing a state of the art and efficient transaction platform for MLIs to facilitate operations and adapting best practices suited to Indian conditions with a view to ensuring long term sustainability of the organization. Team CGTMSE is fully prepared to meet the emerging challenges and would like to thank and appreciate the efforts of all the MLIs for their co-operation and assure them of our best services in future.

Regards,

O. S. Vinod

# Board of Trustees

Members of the Board of Trustees of CGTMSE (As on September 12, 2008)



Shri R. M. Malla  
Chairman & Managing Director  
Small Industries Development Bank of India.

Chairman (ex-officio)



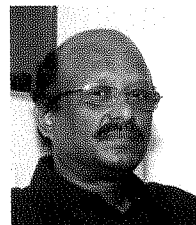
Shri Jawhar Sircar, I.A.S.  
Additional Secretary & Development Commissioner (MSME)  
Ministry of Micro, Small and Medium Enterprises,  
Government of India.

Vice Chairman (ex-officio)



Shri T. S. Narayanasami  
Chairman, Indian Banks Association and  
Chairman & Managing Director  
Bank of India.

Member (ex-officio)



Shri O. S. Vinod  
Chief Executive Officer  
Credit Guarantee Fund Trust for Micro and Small Enterprises.

Member Secretary



“MSMEs have a very important role to play in ensuring that processes of economic growth in our country are inclusive, employment friendly and they contribute to greater regional balance in levels of development.”

*- Dr. Manmohan Singh  
(Hon'ble Prime Minister)*



Success: Individual Redemption to Society

# Indian Economy

## Macro Economic Overview

The structural transformation process and successive economic reforms agenda pursued by the Government of India since the nineties has provided the much needed growth impetus to the domestic economy for achieving and sustaining a higher growth trajectory. The year 2007-08 was the third successive year when the Indian economy grew at the rate of 9% and above. The year also coincided with the beginning of the 11th Five Year Plan (2007-12) which aims at putting the economy on a sustainable

growth path of approximately 10%. The growth in GDP during FY 2008 was supported by an agricultural and allied services sector growth of 4.5%, industrial growth of 8.8% and services sector growth of 10.7%. Indian exports also contributed to the growth momentum and grew by 23% in dollar terms during the year. The growth was further facilitated by an average inflation rate during FY 2008 which stood at 4.5% as compared to 5.4% during FY 2007. Though FY 2008 ended on a positive note, the economy had to deal with some stresses on India's macro-economic indicators, primarily on account of global



Hon'ble Union Finance Minister, Shri.P.Chidambaram, delivering the inaugural address at the release of 100,000th Credit Guarantee approval held at Bangalore.

increase in prices of food grains, metal, crude oil, geo-political tensions, sub-prime crisis in United States of America and slow down in world demand since the beginning of FY 2009. The Government of India and Reserve Bank of India have initiated several impactful measures to counter these concerns and to strengthen the macro-economic fundamentals of the economy to continue on its growth path.

### Thrust areas of the 11th Five Year Plan

The 11th Five Year Plan focuses on restructuring of policies to achieve a new growth paradigm based on faster, wider and inclusive growth. The key elements of the strategy for inclusive growth is an all out effort to provide the mass of our people the access to basic facilities such as health, education, clean drinking water, etc. The private sector including farming, micro, small and medium enterprises and corporate sector has a critical role to play in achieving this objective. Among the thrust areas of the 11th Plan are to increase growth in agricultural sector, providing essential public services to the poor, increasing manufacturing competitiveness, developing human resources, protecting the environment, improving rehabilitation and resettlement practices of tribals and marginalised sections of society and improving governance standards of public administration and legal machinery. One of the important thrust areas having significant bearing on the Micro and Small Enterprises (MSEs) is the focus by the Plan on changing the employment patterns. Increasing economic disparity among agriculture and non-agriculture sector is an area of concern. To bridge this disparity, all the new entrants of the labour market need to be absorbed in the non-agriculture sector. The entire avenue for increasing employment opportunities, including those that can be provided by the micro and small enterprises will be

explored. The fundamental theme of the Plan documents is to rapidly scale up the process of inclusive growth to benefit the vast majority of Indians and to bring them in to mainstream of Indian economy.

### Union Budget 2008 and CGTMSE

Considering the important role played by the Micro and Small Enterprises (MSE) sector in the Indian economy and the need to facilitate greater flow of institutional credit to this sector, the Hon'ble Union Finance Minister in his Budget Speech for FY 2008 announced the reduction in Guarantee Fee under Credit Guarantee Scheme from 1.5% to 1% and Annual Service Fee from 0.75% to 0.5% for collateral-free credit facilities upto Rs. 5 lakh extended to MSEs by Member Lending Institutions of CGTMSE.



Hon'ble Union Minister for Micro, Small & Medium Enterprises, Shri. Mahabir Prasad, inaugurating the Bankers meet organized by CGTMSE in association with SIDBI at Gorakhpur, Uttar Pradesh.

“ The fundamental theme of the Plan documents is to rapidly scale up the process of inclusive growth to benefit the vast majority of Indians and to bring them in to mainstream of Indian economy. ”

“ For every entrepreneur willing to take a risk, there must be a banker on the other side of the table willing to take the risk (in lending credit). ”

- *P. Chidambaram*  
(Hon'ble Union Finance Minister)



Flowering of an Individual Optimises the Potential of Individual and the Society

# Importance & Growth of Micro and Small Enterprises

It is a well-established fact that the Micro and Small Enterprises (MSE) sector is the backbone of both developed and developing economies. There is a widespread consensus on their significant contribution to economic growth, employment creation, social cohesion, poverty alleviation and balanced regional development. The growth of the sector has a catalytic effect on the overall growth of the economy.

The MSE Sector recorded consistent growth in output during the past several years. The growth has ranged from 8.68% in FY 2002-03 to 13% in FY 2007-08 (projected).

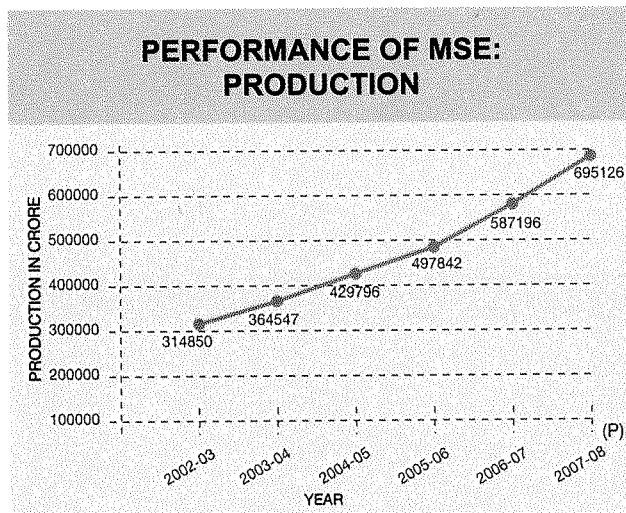
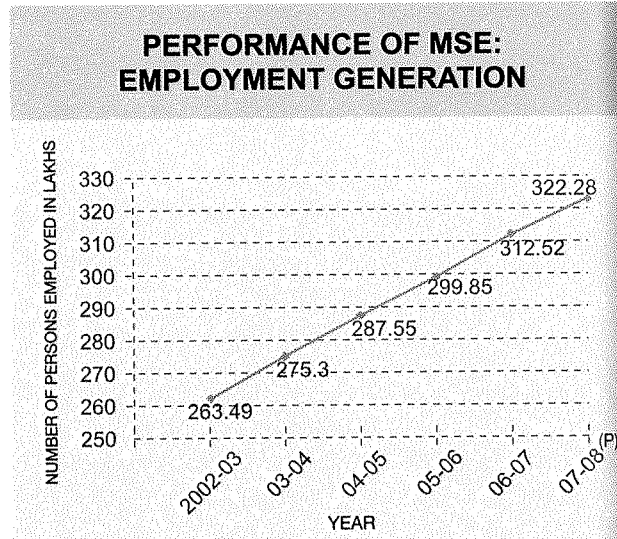
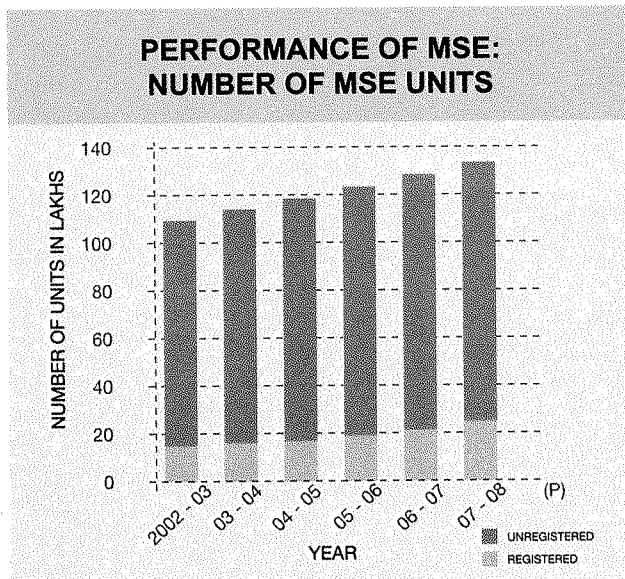
The growth in number of MSE enterprises in the country, employment and production during FY 2003 to FY 2008 is given in table below:

PERFORMANCE OF MICRO & SMALL ENTERPRISES							
Year	Number of Enterprises (Lakh Nos.)			Employment (Lakh Person)	Production at Current prices (Rs. Crore.)	Growth Rate (%)	Share In GDP (%)
	Registered	Unregistered	Total				
2002 - 2003	15.91	93.58	109.49	263.49	314850	8.68	5.92
2003 - 2004	16.97	96.98	113.95	275.30	364547	9.64	5.79
2004 - 2005	17.53	101.06	118.59	287.55	429796	10.88	5.84
2005 - 2006	18.71	104.71	123.42	299.85	497842	12.32	5.83
2006 - 2007	20.98	107.46	128.44	312.52	587196	12.65	5.94
2007 - 2008 (Projected)	24.68	108.99	133.67	322.28	695126	13.00	NA

Source: Ministry of MSME, Govt. of India

In India MSE sector poses a special challenge and opportunity to our policy makers. The MSE provides employment to 322.28 lakh (provisional data for 2008) persons in the rural and urban areas of the economy. During 2007-08, the MSE sector continued to grow in terms of number of enterprises registered, total production, employment and export. It is estimated that there are about 133.67 lakh MSE units in country as on March 31, 2008, which accounts for 39% gross value of out put in the manufacturing sector.

This sector has the second largest share of employment after agriculture and spans a wide range, including small scale, khadi and village, coir industries, handlooms handicrafts sericulture, wool, power looms, food processing and other agro and rural industries. It touches the lives of the weaker and unorganized sections of the society with more than half of those employed being women. They account for 32% of the workforce and 29% of the value added in non-agricultural private unincorporated enterprises.



Agro-food processing, sericulture and other village enterprises can check rural to urban migration by gainful employing people in villages. This will also reduce the pressure on agriculture and is therefore, one of the most critical sectors of the Indian economy.

Several ministries / departments / institutions deal with activities falling within the domain of the MSE sector and have a variety of schemes to support the MSEs. While several measures have been taken by these offices for the development of the MSE sector, there is a great deal of work to be done in a coordinated manner to ensure proper growth and development of the MSE sector in the country.



“ We can generate employment opportunities in every part of the country as well as achieve inclusive growth, taking along all sections of the society only through micro and small enterprises. ”

*- Shri Mahabir Prasad*

*(Hon'ble Union Minister for Micro, Small & Medium Enterprises)*



Needs, Urges and Aspirations Synthesis Development

# Bank credit to Micro and Small Enterprises \*\*\*

Bank credit to Micro and Small Enterprises (MSE) constitutes a major segment of credit to the non-farm sector. The total outstanding credit provided by public sector banks to MSE sector as on the last reporting Friday of March 2008 was Rs. 1,48,651 crore, constituting 10.9% of Adjusted Net Bank Credit (ANBC) and 24.4% of their total priority sector advances. The total credit provided by private sector banks to Small Enterprises sector as on the last reporting Friday of March 2008 was Rs. 46,069 crore,

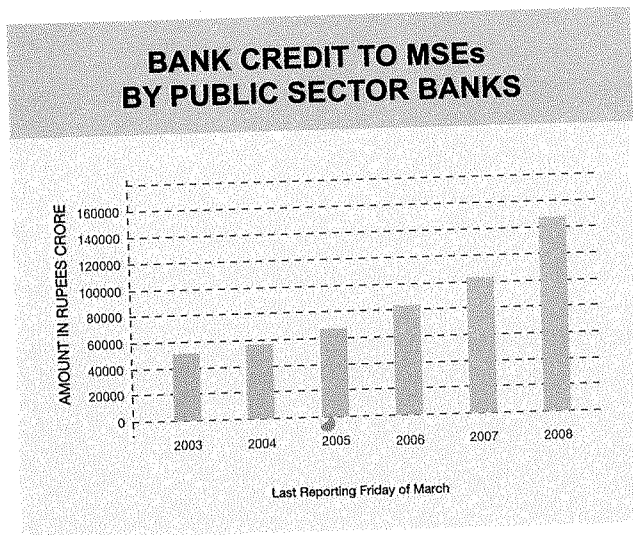
constituting 13.4% of ANBC and 28.2% of their total priority sector advances. Public sector banks were advised to operationalise at least one specialised SME branch in every district and centre having cluster of SME units. At the end of March 2008, 636 specialised SME bank branches were operationalised by the banks. The share of loans to MSEs as a percentage of total bank credit as on the last reporting Friday of March, 2008 was 10.9% as compared to 7.8% during March, 2007.

## BANK CREDIT TO MICRO AND SMALL ENTERPRISES BY PUBLIC SECTOR BANKS

(Rs. Crore)	
As on the Last Reporting Friday of March	Outstanding advances to SSI
2003	52,646
2004	58,311
2005	68,000
2006	82,434
2007	1,02,550
2008 (provisional) @	1,48,651

Source: RBI Annual Report 2007-08

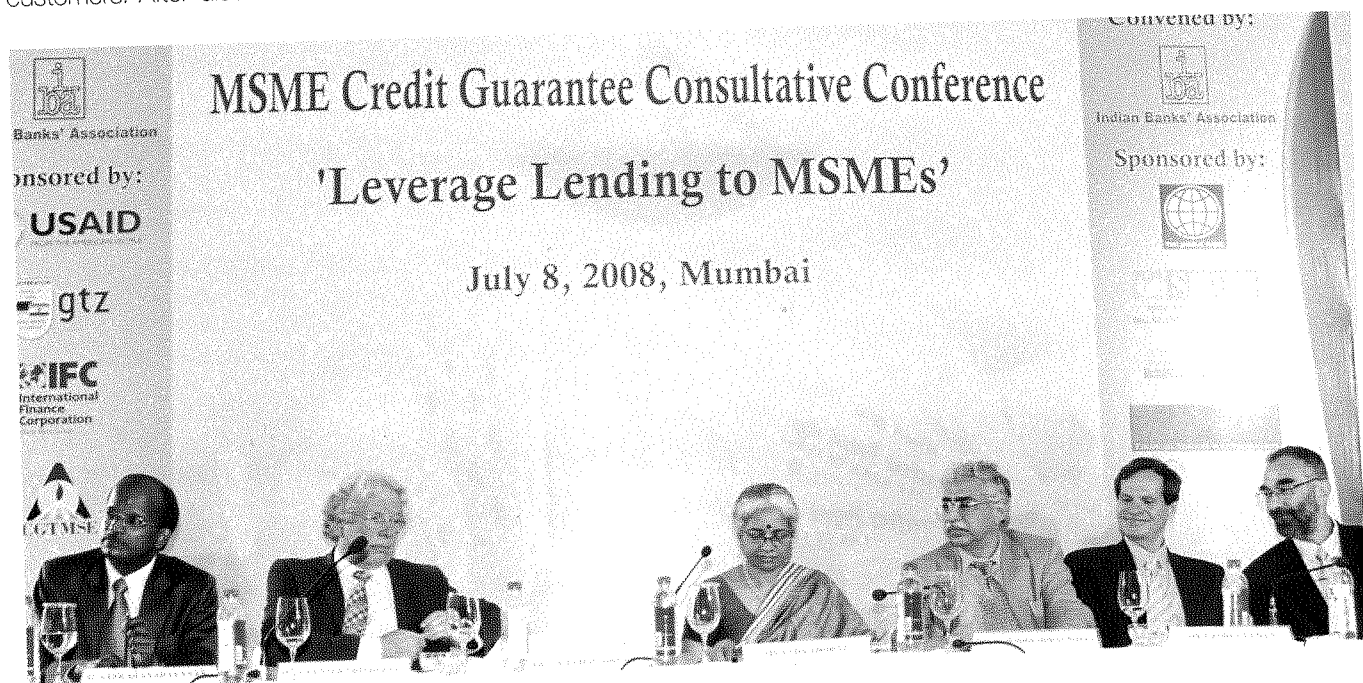
@ : With effect from April 30, 2007, SSIs have been redefined as MSEs.



**Code of Banks Commitment to Micro and Small Enterprises**

The Banking Codes and Standards Board of India (BCSBI) constituted a Working Group comprising members drawn from select banks, Indian Banks Association and the Reserve Bank to formulate a banking code for MSE customers. After discussions with industry associations,

banks, SIDBI and Government agencies, the Working Group finalised the code on March 11, 2008. The Code of Banks which represents commitments to customers of Micro and Small Enterprises (MSE) was released by the Union Finance Minister on May 31, 2008. This is a voluntary code, reflecting the banks positive commitment to its MSE customers to provide easy, speedy and transparent access to banking services in their day-to-day operations and in times of financial difficulty. The code was introduced with multiple objectives, including to provide a positive thrust to the MSE sector through easy access to efficient banking services, encourage fair banking practices, enhance transparency, improve business understanding through effective communication, encourage market forces to achieve higher operating standards, promote a fair and cordial relationship and foster confidence in the banking system. It is anticipated that BCSBI code will provide a better operating environment for MSEs.



MSME Credit Guarantee Consultative Conference held on July 8, 2008 at Mumbai. Ms. Usha Thorat, Dy. Governor of RBI and Shri R.M.Malla, Chairman CGTMSE with other delegates.

“ The dispersed and decentralized Micro and Small Enterprises (MSE) sector poses a special challenge and opportunity to our policy makers. ”

*Excerpt: An approach to the 11th Five Year Plan.*

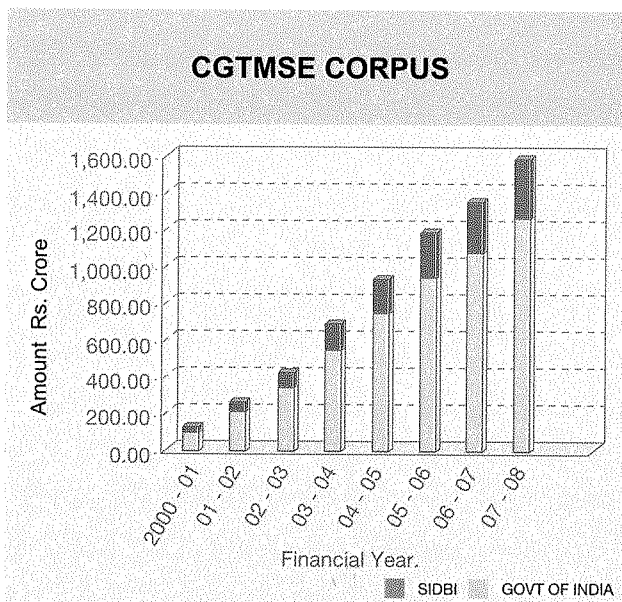


Financial Inclusion: Approach the Human Problems from an Integral Outlook of Li

# Report on working of the CGTMSE for the year ended March 31, 2008

## 1. Corpus Fund of CGTMSE

The initial corpus of the Trust of Rs. 125 crore was contributed by the settlors, i.e. Government of India and Small Industries Development Bank of India (SIDBI), in the ratio of 4:1 in August 2000 and it has been enhanced to Rs. 1584.05 crore as at March 31, 2008. During FY 2007-08, CGTMSE received corpus contribution of Rs. 245.50 crore from its settlors.



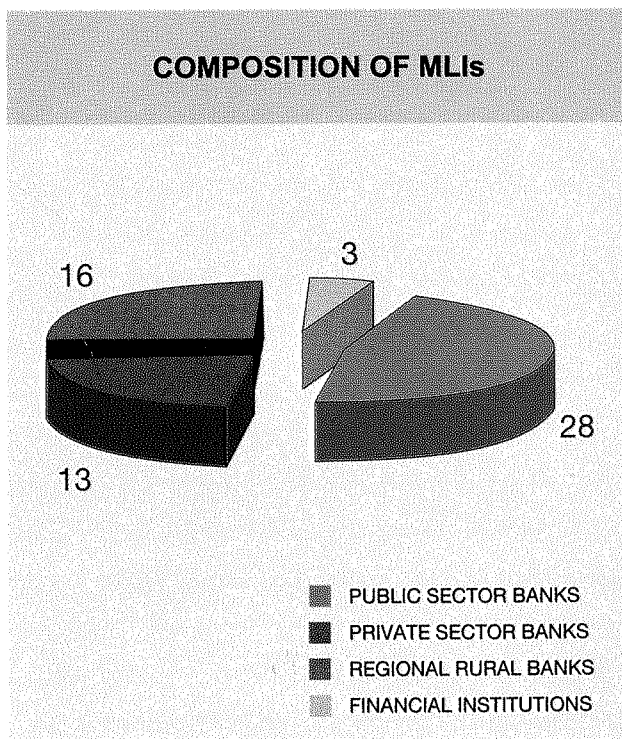
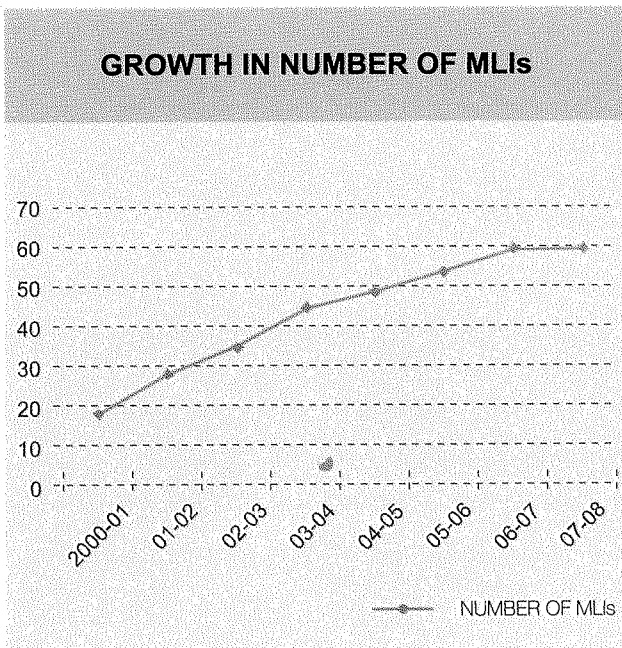
## 2. Member Lending Institutions

As of March 31, 2008, 60 eligible lending institutions (Annexure-I) comprising 28 Public Sector Banks, 13

Private Sector Banks, 16 Regional Rural Banks (RRBs), National Small Industries Corporation (NSIC), North Eastern Development Finance Corporation Ltd (NEDFI), and Small Industries Development Bank of India (SIDBI) are registered as Member Lending Institutions (MLIs) of the Trust.

During the period under review, 11 RRBs have registered as Member Lending Institutions viz, Nainital - Almora Kshetriya Gramin Bank, Andhra Pragathi Grameena Bank, Haryana Gramin Bank, Saptagiri Gramin Bank, Pragathi Gramin Bank, Durg - Rajnandgaon Gramin Bank, Chaitanya Godavari Gramin Bank, Purvanchal Gramin Bank, MGB Gramin Bank, Kashi Gomti Samyut Gramin Bank & Punjab Gramin Bank.

Further, 5 MLIs viz, Baroda Uttar Pradesh Gramin Bank, Durg - Rajnandgaon Gramin Bank, ICICI Bank, Nainital - Almora Kshetriya Gramin Bank & Purvanchal Gramin Bank have started availing of guarantee cover during the financial year 2007-08. Consequent to their merger / amalgamation, some of the MLIs have ceased to exist and have therefore been excluded from the list of eligible MLIs.



**3. Technology Based Transactions**

The entire operations of the CGTMSE are conducted through web based application. Over the years the

application software have been modified to enable MLIs to carryout the transactions smoothly. The system is being constantly upgraded to meet the emerging requirement. Several workshops have been conducted by CGTMSE to familiarize the operating officials of MLIs in the usage of the various applications in the system.

**4. Modifications to the Credit Guarantee Scheme**

Based on the modifications suggested in the Package for promotion of Micro and Small Enterprises as approved by Cabinet Committee on Economic Affairs and announced in the Parliament on February 27, 2007 by the Minister of Micro, Small and Medium Enterprises, effective from July 02, 2007, the eligible loan limit under the Credit Guarantee Scheme was enhanced to Rs. 50 lakh and coverage under the scheme was extended to all new and micro enterprises (excluding retail trade) as defined under the MSMED Act. Further the Trust was re-christened as Credit Guarantee Fund Trust for Micro and Small Enterprises and the scheme as Credit Guarantee Fund Scheme for Micro and Small Enterprises.

The extent of guarantee cover was raised from 75% to 80% in respect of credit facilities extended to women entrepreneurs, units located in the North East Region (including Sikkim) and credit facility upto Rs. 5 lakh sanctioned to Micro Enterprises. In addition the Guarantee Fee payable was reduced from 1% to 0.75% of sanctioned credit facility in respect of units located in the North East Region (including Sikkim)

The Scheme was further modified to permit co-financing by Banks under SIDBI's Micro and Small Enterprises Fund for North East Region, wherein units located in the North East Region are extended credit facility jointly by SIDBI and



a Commercial Bank.

In accordance with the announcement made by the Hon'ble Union Finance Minister, Government of India, in the Parliament on February 29, 2008 while presenting the Union Budget for FY 2008-09, in respect of credit facilities upto Rs. 5 lakh, the Guarantee Fee was reduced from 1.5% to 1% of sanctioned credit facility and Annual Service Fee was reduced from 0.75% to 0.50% of sanctioned credit facility effective from March 01, 2008.

### 5. Awareness Programmes

Various development initiatives taken up by CGTMSE for increasing CGS coverage have started yielding positive results. A new advertisement campaign was launched by CGTMSE aimed at creating brand awareness about the organization and the Credit Guarantee Scheme among entrepreneurs and financing banks/institutions. The advertisements have been released in leading financial dailies and national / regional newspapers across the country. These advertisement campaigns not only help in conveying the message of CGS but also reinforce the fact that the collateral-free credit is available to the smallest entrepreneur in the farthest corner of the country.

To sensitise the branch level officials of Member Lending Institutions (MLIs) on advantages of CGS and operational matters, training programmes are organized at the banks premises in different parts of the country. These programmes have been found to be the most effective way of reaching out to the bankers and increasing the coverage under CGS. Similarly, industry associations both at national and regional / State level have been targeted for organizing seminars on CGS. 159 Interactive seminars / workshops-cum-training programmes as well as interface with industry

associations have been conducted successfully by CGTMSE at various centers across the country for the benefit of entrepreneurs and operating staff of the MLIs. In consultation with some banks, resource persons have been trained to enable them to train other officers from their respective banks.

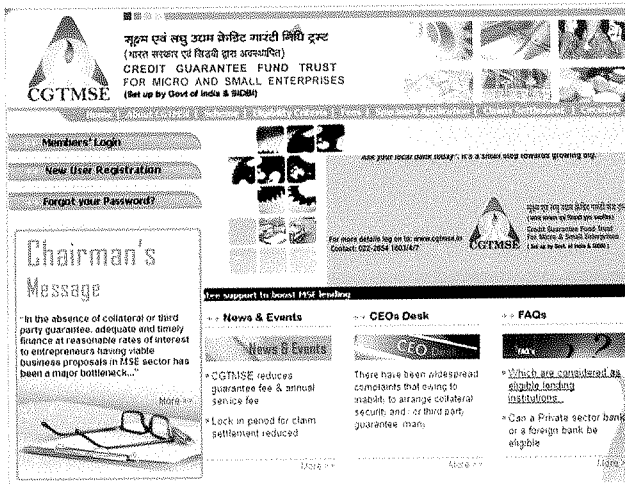


Hon'ble Union Minister for Micro, Small & Medium Enterprises, Shri. Mahabir Prasad, addressing the gathering during special awareness programme on Credit Guarantee Scheme of CGTMSE in Bansgaon, Gorakhpur (Dist), Uttar Pradesh.

Keeping in view the need to reach larger number of entrepreneurs in the country, CGTMSE had initiated the process of outsourcing the awareness creation activity to few reputed agencies like Institute of Entrepreneurship Development, Uttar Pradesh, Indian Institute of Entrepreneurship, Guwahati, WEBCON, Kolkata, HIMCON, Himachal Pradesh, Entrepreneurship Development Institute, Jammu & Kashmir etc. CGTMSE is in the process of expanding the number of such agencies which can work on its behalf in propagating CGS. The MSME Development Institutes are also being requested to include a session on CGS in the programmes they are conducting for MSEs.

6. Website and direct interface

Updated information on the functioning of CGTMSE has been posted on the Trust's website and mails received from existing / prospective MSE entrepreneurs are being attended to promptly. CGTMSE would continue to give importance to such interface with MLIs and potential entrepreneurs.

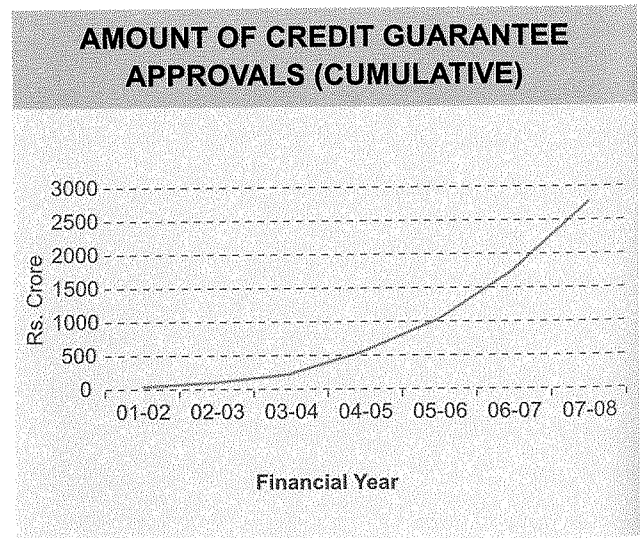
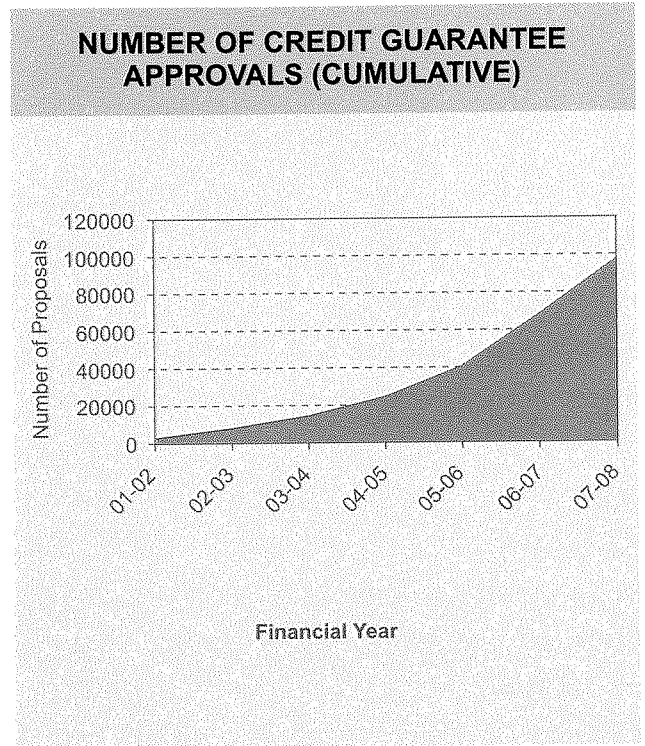


7. Performance of Scheme

Of the 60 MLIs registered with CGTMSE during FY 2007-08, 47 MLIs availed of the guarantee facility in respect of their collateral-free/third party guarantee-free credits to eligible Micro and Small Enterprises. Particulars of MLI-wise guarantees approved by CGTMSE as on March 31, 2008 are given in Annexure-II.

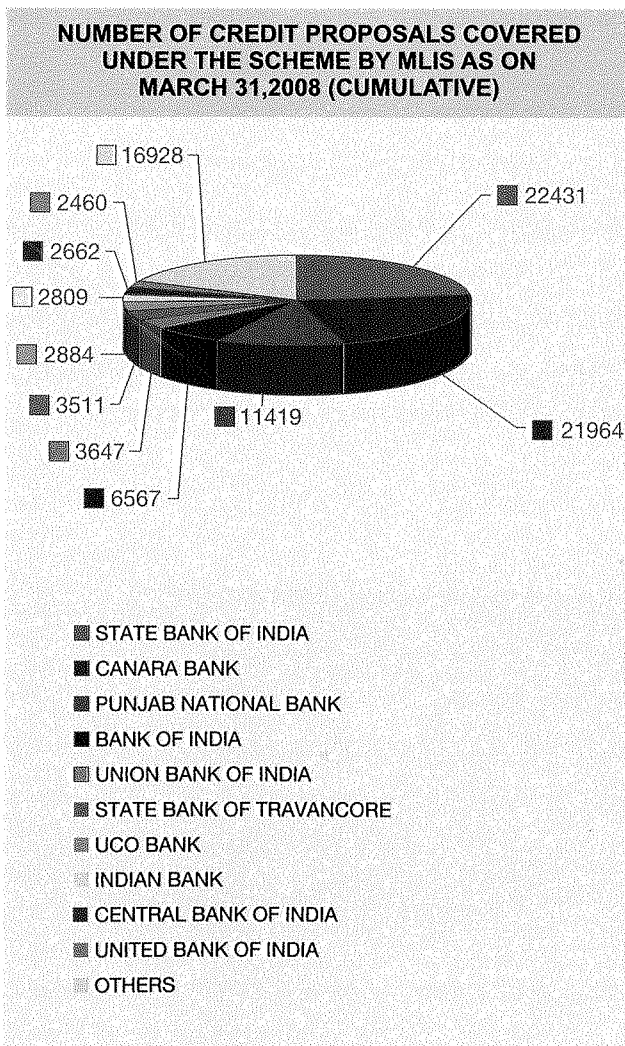
During FY-2008, 30285 proposals were approved for guarantee cover as against 27457 proposals approved during FY-2007 registering a growth of 10.2%. The aggregate loan amount for which approval for guarantee cover were granted during FY-2008 stood at Rs. 1055.84

crore against Rs.704.54 crore in FY-2007 with a growth of 49.8%. Cumulatively as on March 31, 2008 97282 proposals have been accorded guarantee approval for Rs.2701.59 crore.

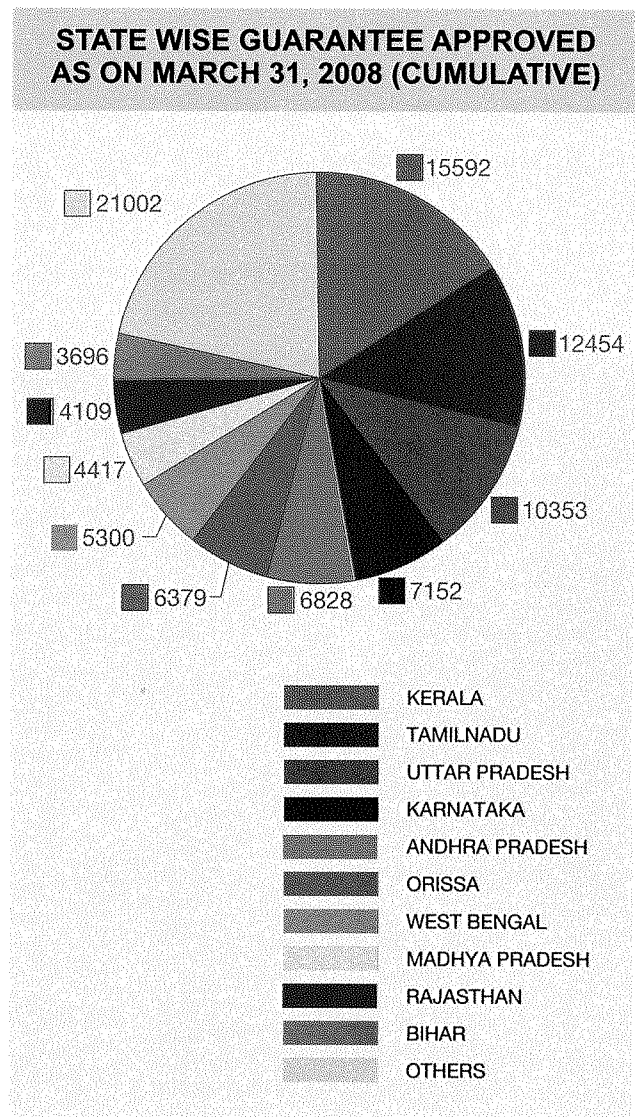


As on March 31, 2008 the top five MLLs, which covered maximum number of proposals under Credit Guarantee Scheme were State Bank of India (22431 proposals), Canara Bank (21964 proposals), Punjab National Bank (11419 proposals), Bank of India (6567 proposals) and Union Bank of India (3647 proposals).

In terms of amount guaranteed the top five MLLs were State Bank of India (Rs. 519.53 crore), Canara Bank (Rs. 431.13 crore), Bank of India (Rs. 213.18 crore), Small Industries Development Bank of India (Rs. 135.40 crore) and Punjab National Bank (Rs. 128.31 crore),



The distribution of enterprises covered under the scheme expanded to 35 States / Union Territories. State-wise cumulative coverage of units under the Credit Guarantee Scheme as on March 31, 2008 is given in Annexure-III. Among the states Kerala lodged the maximum number of applications (15592 accounts). It was followed by Tamil Nadu (12454 accounts), Uttar Pradesh (10353 accounts), Karnataka (7152 accounts) and Andhra Pradesh (6828 accounts).

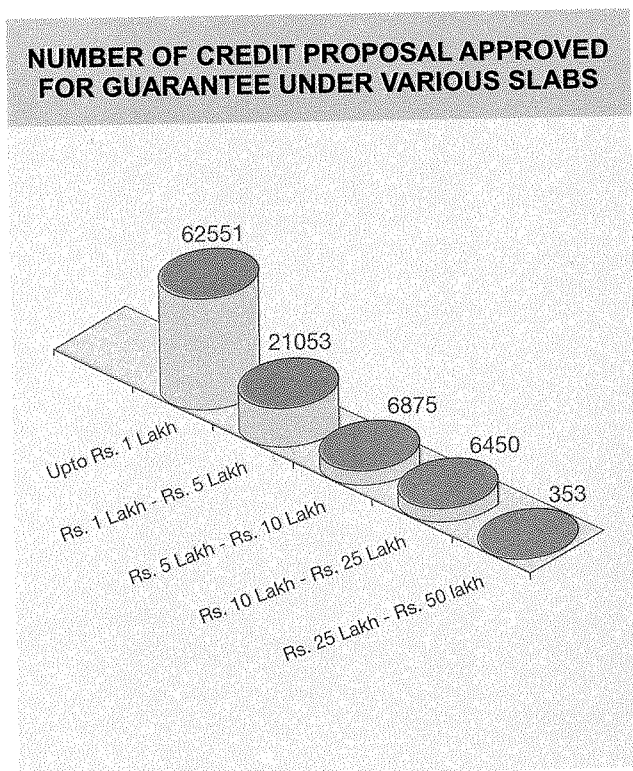


Amount-wise, Tamil Nadu (Rs. 443.18 crore) topped the list, followed by Karnataka (Rs. 380.08 crore), West Bengal (Rs. 233.84 crore), Kerala (Rs. 232.72 crore) and Gujarat (Rs. 176.67 crore).

The industry-wise assistance made available by MLIs under the guarantee scheme, as on March 31, 2008, is given in **Annexure IV**. Other manufacturing units received maximum coverage in terms of amount of assistance covered under the Credit Guarantee Scheme (Guarantee approved for Rs. 1512.53 crore) followed by Metal Products (Guarantee approved for Rs. 181.89 crore), Food products (Guarantee approved for Rs. 177.65 crore), Textile products (Guarantee approved for Rs. 161.00 crore) and Services (Industry related) (Guarantee approved for Rs. 112.29 crore).

Of the 97282 proposals covered under the scheme for Rs. 2701.59 crore, 62551 proposals (64.3%) pertained to the category having credit component of up to Rs. 1 lakh; 21053 units (21.7%) having credit component in the range of Rs. 1-5 lakh, 6875 units (7%) having credit component in the range of Rs. 5-10 lakh, 6450 units (6.6%) having credit component in the range of Rs. 10-25 lakh and 353 proposals (0.4%) having credit component in the range of Rs. 25 lakh to Rs. 50 lakh. Amount-wise, 32% of guarantee cover was for loans below Rs. 5 lakh, 20% of the guarantee cover was extended to loans between Rs. 5 lakh and 10 lakh, 43% of the guarantee cover was extended to loans between Rs. 10 lakh and Rs. 25 lakh and 5% of the guarantee cover between Rs. 25 lakh and Rs. 50 lakh. Slab-wise analysis of credit proposals approved under guarantee scheme is given in **Annexure V**.

During FY 2008, 238 eligible cases were settled for Rs. 7.14 crore towards first installment (i.e. 75% or 80% of the admissible claim amount as applicable). Cumulatively 509 proposals for Rs. 10.23 crore were settled as on March 31, 2008. MLI wise details are given in **Annexure VI**



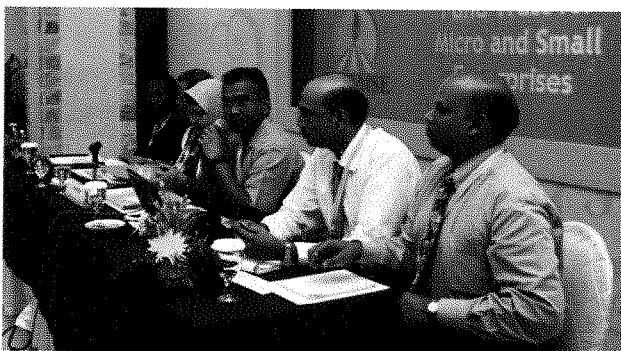
### 8. Scheme of Risk Sharing Facility

As part of an initiative with the World Bank, a pilot project of Risk Sharing Facility (RSF) has been launched with an initial corpus of Rs.25 crore. Under The RSF, collateral-free and/or third party guarantee-free credit facility extended by member lending institutions to MSEs between Rs. 50 Lakh to Rs. 100 lakh per borrower is being guaranteed by the Trust upto 50% of the amount in default. The pilot project is being operated through select MLIs and will be in operation upto December 31, 2008. A review of the operations of the

scheme will be undertaken thereafter and decision on extending the facility to all MLIs and scaling up the pilot project will be taken in consultation with Government of India and SIDBI. We are hopeful that the new facility will be well accepted by the MSE sector as well as participating institutions.

## 9. International Programmes

CGTMSE is taking all efforts to keep itself abreast with the latest trends in the Guarantee organizations all over the world. During the year, CGTMSE officials participated in the First Global Summit of SME Guarantee Organisations held at Lisbon, Portugal during October 08-10, 2007 and the 20th Asian Credit Supplementation Institution Confederation (ACSIC) Conference at Bali, Indonesia during November 05-08, 2007 and also held meetings with the top management of Credit Guarantee Corporation (CGC) Malaysia Berhad at Kuala Lumpur, Malaysia on November 10, 2007. CGTMSE also deputed officers for the 17 & 18th ACSIC Training Programmes held at Taiwan and Indonesia respectively.



CGTMSE officials giving presentation on Credit Guarantee Scheme at the 18th ACSIC training programme held at Jakarta, Indonesia.



MOU Signing ceremony between CGTMSE and SIDBI for CGTMSEs Risk Sharing Facility (RSF). The MOU with SIDBI was signed by Shri Rakesh Rewari, Deputy Managing Director of SIDBI and Shri. O.S.Vinod, CEO, CGTMSE, in the presence of Shri Rajendra Mohan Malla, Chairman & Managing Director, SIDBI and Chairman CGTMSE.

## 10. Overall Impact of CGS

The table below depicts the cumulative approvals and the overall impact / benefits accruing to the economy through the units covered under CGMSE.

Particulars	31/03/2008	31/03/2007
No. of MSE	97282	68062
Credit Extended by MLIs (Rs. Crore)	2701	1705
Expected sales turnover of guaranteed units (Rs. crore)	24584	16429
Estimated exports by guaranteed units (Rs. Crore)	654	443
Estimated employment generation (No. lakhs)	4.58	3.68
Number of MLIs availing guarantee facility	47	41

## 11. Auditors

M/s. Bansilal Shah & Co., Mumbai, a firm of Chartered Accountants, has been appointed as internal auditors of CGTMSE, for the FY 2007-08. The Auditors have undertaken a comprehensive review of the entire

computer systems as also financial audit covering revenue expenses, investment and revenue income.

As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. B. Y. Srinivasan & Associates, Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTMSE for FY 2007-08.

## 12. Tax Exemption to CGTMSE

As per the provisions of the Finance Bill introduced by the then Honble Finance Minister on February 28, 2002 and passed by the Parliament, under sub-section 23EB U/S 10 of Income Tax Act, 1961, the income of CGTMSE was exempted from tax payment for a period of 5 years commencing from the Financial Year 2001-02 (Assessment Year 2002-03). The tax exemption came to an end in FY 2005-06 and has not been extended for the future period. In the previous year relevant to assessment year 2007-08, CGTMSE has claimed exemption u/s 11 and 12 of the Act and for which the Trust has also obtained the opinion of M/s. Bansi S. Mehta & Co., Tax Consultant. The same position was also applicable for the assessment year 2008-09 (FY 2007-08).

## 13. Accounts

Income and Expenditure Account for the year ended March 31, 2008 and Balance Sheet as at March 31, 2008, of CGTMSE together with the Auditor's Report are attached. During FY 2007-08, the Trust earned income of Rs. 194.18 crore, comprising mainly Guarantee Fee (Rs. 12.57 crore), Annual Service Fee (Rs. 6.65 crore) and interest earned on investments (Rs. 174.42 crore). Trust had incurred Rs. 12.27 crore towards various operational

and administrative expenditure mainly comprising claims paid (Rs. 7.14 crore), Insurance Charges (Rs. 0.86 crore), staff salaries and allowances (Rs. 0.42 crore), advertising and publicity expenses (Rs. 1.81 crore), rent for office premises (Rs. 0.63 crore), web-hosting, IT services and other related charges for computer and software expenditure (Rs. 0.39 crore), service charge paid to SIDBI (Rs. 0.28 crore) and other office expenses. The profit before tax was Rs. 33.81 crore. The provision for claims has been made at Rs. 148.09 crore. Post taxes the Trust has earned a profit of Rs. 69.96 crore owing to write back of advance tax of Rs. 36.15 crore made in FY 2007.

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, the internal auditors of the Trust had advised to reckon guarantee fee on cash basis. Hence, since FY 2002-03, Trust has reckoned the income of guarantee fee on cash basis. Further, during FY 2006-07 it has been decided by the Trust to reckon the income of Annual service Fee also on cash basis. During the year, the Trust received corpus contribution from its settlors to the extent of Rs. 245.50 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. The size of the corpus of the fund as on March 31, 2008 stood at Rs. 1584.05 crore. The total investment as at March 31, 2008 stood at Rs. 1896.69 crore as against Rs. 1599.71 crore as at the end of the previous year.

#### 14. Management & Organization

The Board of Trustees during FY 2007-08 comprised of Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (SSI) of GOI as ex-officio Vice-Chairman, Chairman IBA as ex-officio member and Chief Executive Officer of CGTMSE as Member Secretary. During FY 2007-08, two meetings of the Board were held.

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

As on March 31, 2008, seven officers including the CEO were on deputation with CGTMSE from SIDBI. The Board appreciates the contribution made by them in operationalising the guarantee scheme effectively.

“ The aggregate loan amount for which approval for guarantee cover were granted during FY-2008 stood at Rs. 1055.84 crore against Rs.704.54 crore in FY-2007 with a growth of 49.8%. Cumulatively as on March 31,2008 97282 proposals have been accorded guarantee approval for Rs. 2701.59 crore. ”

Credit Guarantee Fund Trust for Micro and Small Enterprises

Place: Mumbai

Date: Sep 12, 2008

FOR AND ON BEHALF OF THE BOARD OF TRUSTEES

( R. M. Malla )  
Chairman

## ANNEXURE I

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Member Lending Institutions (MLIs) of CGTMSE as on March 31, 2008

Total No. of MLIs = 60

## A. SCHEDULED COMMERCIAL BANKS

## (i) PUBLIC SECTOR BANKS (20)

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. IDBI Bank Ltd.
11. Indian Bank
12. Indian Overseas Bank
13. Oriental Bank of Commerce
14. Punjab & Sind Bank
15. Punjab National Bank
16. Syndicate Bank
17. UCO Bank
18. Union Bank of India
19. United Bank of India
20. Vijaya Bank

## (ii) SBI AND ITS ASSOCIATE BANKS (8)

1. State Bank of Bikaner & Jaipur
2. State Bank of Hyderabad
3. State Bank of India
4. State Bank of Indore
5. State Bank of Mysore
6. State Bank of Patiala
7. State Bank of Saurashtra (since merged with SBI)
8. State Bank of Travancore

## (iii) PRIVATE SECTOR BANKS (13)

1. Axis Bank Ltd.
2. HDFC Bank Ltd.
3. ICICI Bank Ltd.
4. IndusInd Bank Ltd.
5. ING Vysya Bank Ltd.
6. Karnataka Bank Ltd.
7. Kotak Mahindra Bank Ltd.
8. Tamilnad Mercantile Bank Ltd.
9. The Bank of Rajasthan Ltd.
10. The Federal Bank Ltd.



## ANNEXURE I (contd.)

## Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

## Member Lending Institutions (MLIs) of CGTMSE as on March 31, 2008

11. The Jammu & Kashmir Bank Ltd.

12. The Nainital Bank Ltd.

13. The South Indian Bank Ltd.

**B. REGIONAL RURAL BANKS (16)**

1. Andhra Pragathi Grameena Bank

2. Baroda Eastern Uttar Pradesh Gramin Bank

3. Chaitanya Godavari Grameena Bank

4. Chikmagalur, Kodagu Gramin Bank

5. Durg Rajnandgaon Gramin Bank

6. Haryana Gramin Bank

7. Shreyas Gramin Bank

8. Karnataka Vikas Grameena Bank

9. Kashi Gomti Samyut Gramin Bank

10. MGB Gramin Bank

11. Nainital - Almora Kshetriya Gramin Bank

12. Pragathi Gramin Bank

13. Prathama Bank

14. Purvanchal Gramin Bank

15. Saptagiri Grameena Bank

16. South Malabar Gramin Bank

**C. LENDING INSTITUTIONS (3)**

1. National Small Industries Corporation Ltd.

2. North Eastern Development

Finance Corporation Ltd.

3. Small Industries Development Bank of India

## ANNEXURE II

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## MLI-wise Guarantees approved as on March 31, 2008 (Cumulative)

Sl. No.	MLI	No. of Proposals	Approved Amount (Rs. Lakh)
1	Allahabad Bank	1480	4170.68
2	Andhra Bank	614	1847.65
3	Axis Bank Limited	193	3850.11
4	Bank of Baroda	1180	10220.86
5	Bank of India	6567	21318.22
6	Bank of Maharashtra	161	619.74
7	Baroda Eastern Uttar Pradesh Gramin Bank	20	65.95
8	Canara Bank	21964	43113.65
9	Central Bank of India	2662	12213.39
10	Chikmagalur-kodagu Grameena Bank	23	22.00
11	Corporation Bank	1259	7784.32
12	Dena Bank	1497	4059.20
13	Durg Rajnandgaon Gramin Bank	74	117.67
14	Godavari Grammena Bank	3	17.40
15	ICICI Bank Ltd.	3	50.00
16	IDBI Bank Ltd.	303	2077.72
17	Indian Bank	2809	5978.79
18	Indian Overseas Bank	2076	6540.36
19	Indusind Bank	3	35.88
20	Ing Vysya Bank Ltd	41	624.78
21	Jamuna Gramin Bank	27	8.64
22	Nainital-Almora Kshetriya Gramin Bank	2	25.00
23	National Small Industries Corporation Ltd.	175	1453.66

Sl. No.	MLI	No. of Proposals	Approved Amount (Rs. Lakh)
24	Oriental Bank Of Commerce	784	5886.21
25	Punjab & Sind Bank	570	1167.53
26	Punjab National Bank	11419	12831.05
27	Purvanchal Gramin Bank	7	1.24
28	Small Industries Development Bank Of India	693	13540.99
29	South Malabar Gramin Bank	42	83.71
30	State Bank of Bikaner & Jaipur	1808	2394.01
31	State Bank of Hyderabad	368	1927.83
32	State Bank of India	22431	51953.82
33	State Bank of Indore	163	361.06
34	State Bank of Mysore	387	3157.99
35	State Bank of Patiala	242	547.30
36	State Bank of Saurashtra	28	77.02
37	State Bank of Travancore	3511	6071.89
38	Syndicate Bank	1032	7499.97
39	Tamilnad Mercantile Bank Ltd	8	80.13
40	The Bank of Rajasthan Ltd.	224	53.38
41	The Federal Bank Ltd	267	558.07
42	The Jammu & Kashmir Bank Ltd	659	299.11
43	The Nainital Bank Ltd.	27	144.06
44	Uco Bank	2884	9736.91
45	Union Bank of India	3647	11301.06
46	United Bank of India	2460	11881.99
47	Vijaya Bank	485	2387.40
	<b>Total</b>	<b>97282</b>	<b>270159.40</b>

## ANNEXURE III

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## State-wise Guarantees approved as on March 31, 2008 (Cumulative)

Sl. No.	STATE	No. of Proposals	Approved Amount (Rs. Lakh)
1.	Andaman & Nicobar	32	56.12
2.	Andhra Pradesh	6828	9737.58
3.	Arunachal Pradesh	160	208.74
4.	Assam	2800	6135.89
5.	Bihar	3696	5765.66
6.	Chandigarh	212	1401.85
7.	Chhattisgarh	1206	6709.64
8.	Dadra & Nagar Haveli	22	243.13
9.	Daman & Diu	28	292.36
10.	Delhi	448	3908.31
11.	Goa	207	960.85
12.	Gujarat	2729	17667.02
13.	Haryana	2752	5658.29
14.	Himachal Pradesh	1474	2901.46
15.	Jammu & Kashmir	1234	1085.70
16.	Jharkhand	1870	8621.70
17.	Karnataka	7152	38008.13
18.	Kerala	15592	23272.75
19.	Lakshadweep	2	0.80
20.	Madhya Pradesh	4417	11935.55
21.	Maharashtra	2257	16377.75
22.	Manipur	102	151.62
23.	Meghalaya	313	839.89

Contd.

## ANNEXURE III (contd.)

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## State-wise Guarantees approved as on March 31, 2008 (Cumulative)

Sl. No.	STATE	No. of Proposals	Approved Amount (Rs. Lakh)
24.	Mizoram	298	534.90
25.	Nagaland	126	306.60
26.	Orissa	6379	9837.54
27.	Puducherry	258	665.36
28.	Punjab	1794	5771.95
29.	Rajasthan	4109	5093.12
30.	Sikkim	101	263.56
31.	Tamilnadu	12454	44318.41
32.	Tripura	243	351.89
33.	Uttar Pradesh	10353	15892.46
34.	Uttaranchal	334	1798.02
35.	West Bengal	5300	23384.80
	<b>Total</b>	<b>97282</b>	<b>270159.40</b>

State-wise Guarantees approved as on March 31, 2008 (Cumulative)



## ANNEXURE IV

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## Sector-wise cumulative guarantees approved as on March 31, 2008

Sl. No.	SECTOR	No. of Proposals	Approved Amount (Rs. Lakh)
1	Basic Metal Industries	1268	6459.8
2	Beverages, Tobacco etc.	141	663.78
3	Chemicals etc.	682	4739.82
4	Cotton Textiles	1783	4605.87
5	Electrical Machinery	1018	5203.2
6	Food Products	7013	17765.66
7	Information Technology	728	2782.32
8	Jute Textiles	204	542.82
9	Leather And Fur Products	1120	2599.75
10	Metal Products	4016	18189.43
11	Non-electrical Machinery, Tools And Parts	346	2838.97
12	Non-metallic Products	1179	5875.14
13	Other Manufacturing	56939	151253.17
14	Paper And Printing	1521	7667.26
15	Repairing Services	919	593.85
16	Repairing Services Except Capital Goods	213	389.43
17	Repairing Services For Capital Goods	305	458.03
18	Rubber, Petroleum etc.	232	1552.99
19	Services (Industry Related)	6548	11229.26
20	Software	264	1690.53
21	Textile Products	5976	16100.47
22	Transport Equipment	146	971.65
23	Wood Furniture	3690	4787
24	Wool, Silk etc.	1031	1199.2
	<b>Total</b>	<b>97282</b>	<b>270159.4</b>

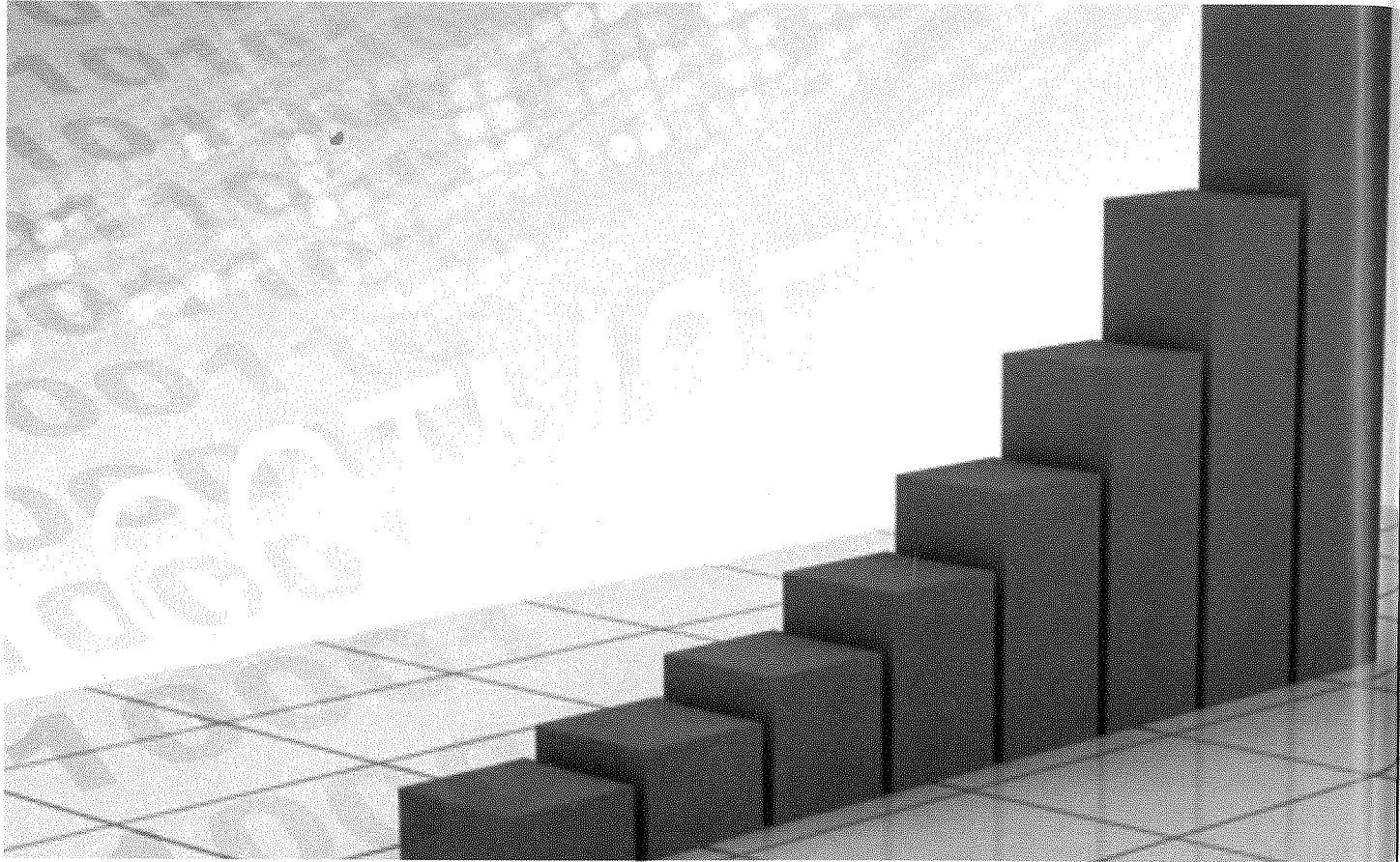
## ANNEXURE V

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## Slab-wise cumulative guarantees approved as on March 31, 2008 (Cumulative)

S. No.	Range (Rs)	No. of Proposals	Loan Amount (Rs. Lakh)
1	0-100,000	62551	25059.79
2	100,001-200,000	9159	15354.28
3	200,001-500,000	11894	45010.53
4	500,001-10,00,000	6875	54999.5
5	10,00001-15,00000	2790	37236.15
6	15,00,001-25,00,000	3660	78496.61
7	25,00,001-50,00,000	353	14002.52
	<b>Total</b>	<b>97282</b>	<b>270159.38</b>





Guaranteeing MSE Credit: A Right Step in the Right Direction.

# Auditor's Report \*\*\*

To,  
The Board of Trustees,  
Credit Guarantee Fund Trust For Micro & Small Enterprises  
Mumbai.

We have audited the attached Balance Sheet of Credit Guarantee Fund Trust For Micro & Small Enterprises as at 31st March 2008 and also the Income and Expenditure Account for the year ended on that date annexed thereto:

These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the accounting standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit included 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 report that:

a) There is a large over provisioning for the claims over the years & the actual claims settled. The provisions made are very high & the settlements are low. An actuarial valuation may be carried out in due course.

Subject to the above 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 law, have been kept by the Trust so far as it appears from our examination of the books;

c) The Balance Sheet and Income & Expenditure dealt with by this report are in agreement with the books of accounts.

d) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with notes thereon, give true and fair view:

i. In the case of Balance Sheet, of the state of affairs of the Trust as at 31st March 2008 and

ii. In the case of Income and Expenditure Account, of the profit of the Trust for the year ended on that date.

FOR B.Y SRINIVASAN & ASSOCIATES  
Chartered Accountants

Place: Mumbai  
Date: Sep 08, 2008

(B. Y. SRINIVASAN)  
Partner (MEMBERSHIP NO. 03620)

# Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

BALANCE SHEET AS ON MARCH 31, 2008					
SR.No.	Particulars		Schedules	As on 31.03.2008 (Rs.)	As on 31.03.2007 (Rs.)
<b>A.</b>	<b>Sources of Funds</b>				
i.	Corpus Fund		1	15,840,541,250.00	13,385,541,250.00
ii.	Reserves & Surplus		2	1,555,881,749.10	856,300,454.00
iii.	Current Liabilities & Provisions		3	4,120,869,490.54	2,997,651,203.00
	<b>Total</b>			<b>21,517,292,489.64</b>	<b>17,239,492,907.00</b>
<b>B.</b>	<b>Application of Funds</b>				
i.	<b>Fixed Assets</b>				
	Computer			293,607.00	
	Less Depreciation			7.00	7.00
	Furniture & Fixture			38,000.00	
	Less Depreciation			1.00	1.00
	Electrical Items	75,339.00		15,950.00	
	Less Depreciation	10913.00		64,426.00	3,987.00
				64,434.00	3,995.00
ii.	Investments		4	18,966,905,822.50	15,997,099,622.00
iii.	<b>Current Assets</b>				
	Cash in hand			55.00	314.00
	Bank Balance		5	1,543,175.05	20,742,838.00
	Accrued Income		6	1,413,895,273.00	691,446,100.00
	Receivables		7	6,364.00	6,584,360.00
	Advance FBT			355,502.00	355,502.00
	Advance for Expenses			0.00	0.00
	Defferred Tax Assets			0.00	41,255.00
	Advance Income tax paid (including TDS)			1,134,521,864.09	523,218,921.00
	<b>Total</b>			<b>21,517,292,489.64</b>	<b>17,239,492,907.00</b>

Notes forming parts of Accounts: 9 Significant accounting policies: 10

FOR B.Y SRINIVASAN & ASSOCIATES  
Chartered Accountants

On behalf of the Board of Trustees

( B.Y SRINIVASAN )  
Partner (Membership No. 03620)( R. M. Malla )  
ChairmanPlace: Mumbai  
Date: September 08, 2008(Jawhar Sircar)  
Vice Chairman(O.S. Vinod)  
Member Secretary

## Credit Guarantee Fund Trust for Micro and Small Enterprises

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

SR. No.	Particulars	Schedules	Amount (Rs.)	
			2007-2008	2006-2007
	<b>Income</b>			
	Interest on Investments		1,744,203,868.22	1,060,679,593.00
	Guarantee Commission		125,774,942.41	95,396,224.00
	Annual Service Fee		66,599,428.61	0.00
	Miscellaneous Receipts		35,083.00	8,372.00
	Penal Interest Income		60.00	10,337.00
	Receipt from MLI's		5,192,362.00	0.00
			<b>1,941,805,744.24</b>	<b>1,156,094,526.00</b>
	<b>Expenditure</b>			
	Operating and other Administrative Expenses	8	122,727,194.77	86,607,616.00
	Excess of Income Over Expenditure		1,819,078,549.47	1,069,486,910.00
	Provisions for Guarantee claims		1,480,956,000.00	1,051,707,000.00
	Profit before tax for the period		338,122,549.47	17,779,910.00
	Provisions for Income tax		-361,500,000.00	361,500,000.00
	<b>Excess of Income Over Expenditure carried to the Balance Sheet</b>		<b>699,622,549.47</b>	<b>-343,720,090.00</b>

FOR B.Y SRINIVASAN & ASSOCIATES  
Chartered Accountants

On behalf of the Board of Trustees

( B.Y SRINIVASAN )  
Partner (Membership No. 03620)

( R. M. Malla )  
Chairman

Place: Mumbai  
Date: September 08, 2008

(Jawhar Sircar)  
Vice Chairman

(O.S. Vinod)  
Member Secretary

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

	As on 31.03.2008 (Rs.)	As on 31.03.2007 (Rs.)
<b>Schedule : 1</b>		
Corpus Fund		
Received from:		
Government of India	12,672,433,000.00	10,692,433,000.00
SIDBI	3,168,108,250.00	2,693,108,250.00
	15,840,541,250.00	13,385,541,250.00
<b>Schedule : 2</b>		
Reserves & Surplus		
Income & Expenditure Account		
Opening Balance	856,300,454.63	1,199,979,289.00
Add: Excess of Income over Expenditure for the current year	699,622,549.47	-343,720,090.00
Add: Deferred Tax Assets	0.00	41,255.00
Less: Deferred Tax Assets	41,255.00	0.00
	1,555,881,749.10	856,300,454.00
<b>Schedule : 3</b>		
Current Liabilities and Provisions		
Provisions for Guarantee claims made in the previous year	2,612,474,000.00	1,560,767,000.00
Provision for Guarantee Claims	1,480,956,000.00	1,051,707,000.00
Guarantee Fee Refundable	290,675.61	290,676.00
Provision for Outstanding Liabilities	3,954,193.00	537,500.00
Annual Services Fee Received in Excess Refundable	19,847,664.63	7,476,441.00
Claim outstanding	21,500.00	21,500.00
Amount Reimbursable To SIDBI	1,731,871.00	4,378,679.00
Sundry Liabilities	0.00	10,160,693.00
Unclaimed Liability on A/c of State Cheque	668,663.30	486,791.00
Advance ASF	104,923.00	104,923.00
Provision for FBT	220,000.00	220,000.00
Provision for Income Tax	0.00	361,500,000.00
Insurance Claim received from LIC	600,000.00	0.00
	4,120,869,490.54	2,997,651,203.00
<b>Schedule : 4</b>		
Investments		
Investment in Bonds	0.00	0.00
Investment in Fixed Deposits	18,966,905,822.50	15,997,099,622.00
	18,966,905,822.50	15,997,099,622.00
<b>Schedule : 5</b>		
Bank Balance		
Current Accounts with:		
State Bank of India	0.00	137,063.00
HDFC Bank Ltd.,	0.00	556.00
IDBI Bank Ltd.,	1,543,175.05	20,590,410.00

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

	As on 31.03.2008 (Rs.)	As on 31.03.2007 (Rs.)
<b>Schedule : 6</b>		
Accrued Income		
Guarantee Fee	0.00	0.00
Service Fee	0.00	0.00
Interest on Investments less TDS	1,413,895,273.00	691,446,100.00
	1,413,895,273.00	691,446,100.00
<b>Schedule : 7</b>		
Receivables		
Amount recoverable from other organisation	6,364.00	6,584,360.00
Amount recoverable from SIDBI	0.00	0.00
ASF Receivable	0.00	0.00
Prepaid Expenses	0.00	0.00
	6,364.00	6,584,360.00
<b>Schedule : 8</b>		
Operating and Other Administrative Expenses		
Advertisement & Publicity Expenses	18,113,434.00	106,002.00
Audit Fee	97,042.00	74,620.00
Bank Charges	9,251.69	18,610.00
Board Meeting Expenses	37,317.83	9,800.00
Car Hire Charges	84,100.00	48,872.00
Claims Paid	71,444,698.00	13,943,984.00
Courier/Postage Charges	108,576.00	90,058.00
Depreciation	10,913.00	9,407.00
Insurance Charges	8,594,753.00	14,294,663.00
Internal Auditors Fee	187,300.00	127,807.00
IT service	3,629,333.00	382,316.00
Office Expenses	2,859,435.52	1,068,262.00
Printing & Stationery	273,076.76	53,787.00
Reimbursement of Expenditure to Employee	0.00	1,005,223.00
Rent	6,363,780.00	7,184,068.00
Salaries & Allowances to employees	4,203,189.00	3,244,694.00
Seminar & Meeting Expenses	807,817.69	252,359.00
Service Charges paid to SIDBI	2,802,172.25	1,949,023.00
Stationery Expenses and Computer Consumables	113,651.50	40,356.00
Telephone Expenses	18,124.38	81,173.00
Training Expenditure	16,000.00	194,072.00
Travelling Expenses	2,680,729.65	830,091.00
ASF Receivable Written Off	0.00	7,993,611.00
Web Hosting / ISDN/ LSD Line Charges	225,912.00	493,311.00
Computer Software	36,883.00	0.00
Miscellaneous Expenses	162,627.50	20,454.00
Paise Adjustment	-1.00	0.00
Prior Period Adjustment Account	-152,922.00	33,090,993.00
	122,727,194.77	86,607,616.00

## EIGHTH ANNUAL REPORT 2007-08

Schedule Forming Part Of The Balance Sheet and Income And Expenditure Account

## Schedule: 9

## NOTES forming part of ACCOUNTS:

1. The total claims received by the Trust from MLIs upto March 31, 2008 are 848 for the aggregate claim amount of Rs. 26.00 crore against which the Trust had settled claims against 509 accounts for Rs. 10.23 crore. 44 claims for Rs. 0.86 crore were rejected for various reasons like recovery made after NPA was more than outstanding as on date of NPA, guarantee not in force, etc. The remaining claim applications involving amount of Rs. 14.91 crore are pending for settlement for various reasons like details of security / subsidy not provided etc.

2. Trust has provided Guarantee cover during the year to the tune of Rs. 841.48 crore (previous year Rs. 598.52 crore) for the credit facility extended by the MLIs to various micro & small enterprises.

3. As per the Memorandum of Understanding entered into between SIDBI and the Trust on October 04, 2001, the Trust pays 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. Balance of Rs. 1,18,38,155.90 accumulated since

FY 2004-05 lying in Sundry Liabilities account as on March 31, 2008 being credits relating to Guarantee fee / Annual Service Fee made by MLI has been taken into Income & Expenditure A/c during the current FY. To that extent income for the current year has been overstated.

## Schedule: 10

## Significant Accounting Policies

## 1. Accounting Conventions

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

## 2. Recognition of Income and Expenditure

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

## 3. Investment

Investments have been stated at cost.

## 4. Taxation

The income of the Trust was exempt from Income Tax for five previous years relevant to the Assessment Years commencing from April 1, 2002 and ending on March 31, 2007. The Trust has obtained independent opinion from Tax Consultant that it is not liable to pay tax for FY 2007 and

FY 2008. Trust has taken up the matter with IT department for refund of the income tax to the tune of Rs. 113.45 crores paid during FY 2007 & FY 2008.

#### 5. Contingent Liabilities

The Trust has been making provision of 75% of guarantees issued for all the cases. During the current FY the policy have been modified and accordingly, the Trust is contingently liable for 80% of the amount of guarantee issued for credit facility up to Rs. 5.00 lakh and 75% for credit facility above Rs. 5.00 lakh as on March 31, 2008.

#### 6. Fixed Assets

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

#### 7. Retirement Benefits

Retirement benefits are provided by SIDBI for its employees on deputation to the Trust.

#### 8. Provision for claims

Provision for claims is not based on ascertained liabilities. However, the same has been provided as per the accounting policies consistently followed by the Trust in previous years. The details of the provisions made during the year is indicated below:

Particulars	Amount (In Rs.)
Opening balance as on April 01, 2007	261,24,74,000
Less: Claims during FY 2007-08	7,14,44,698
Add: Provision for claims during FY 2007-08	155,24,00,698
Closing balance as on March 31, 2008.	409,34,30,000

FOR B.Y SRINIVASAN & ASSOCIATES  
Chartered Accountants

( B.Y SRINIVASAN )  
Partner (Membership No. 03620)

Place: Mumbai  
Date: September 08, 2008

(Jawhar Sircar)  
Vice Chairman

On behalf of the Board of Trustees

( R. M. Malla)  
Chairman

(O.S. Vinod)  
Member Secretary



*A special word of gratitude to Ministry of Micro, Small and Medium Enterprises, Government of India and Small Industries Development Bank of India, the settlors of the Trust for their faith and trust in CGTMSE and their active support and encouragement in all our endeavors*