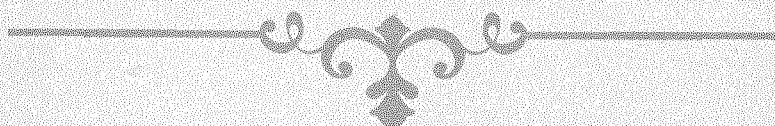
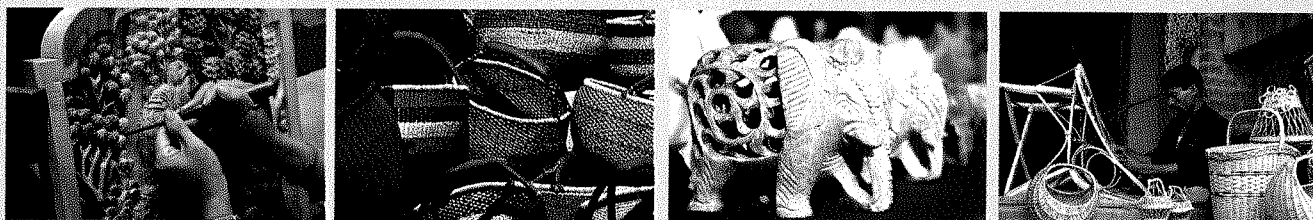


Content

01 Encouraging Entrepreneurship - Enabling collateral free credit	57
02 Letter of Transmittal	59
03 Message from the Chairman	60
04 Message from the CEO	62
05 Board of Trustees	65
06 Indian Economy	67
07 Bank Credit to Micro & Small Enterprises (MSEs)	69
08 Report on the working of the Credit Guarantee Fund Trust for Micro and Small Enterprises for the year ended March 31, 2009	71
09 Auditor's Report	93
10 Balance Sheet & Statement of Accounts	94





Sculpting a vibrant future for MSEs

Encouraging Entrepreneurship

Enabling collateral free credit

India is a land of entrepreneurs. India is a land of millions of small businesses. Each providing a vital input to the country's growth and economic progress. Over 95% of Indian enterprises are in the Micro and Small Enterprises (MSE) category. India is truly a land of micro-enterprises.

Entrepreneurship is about creating enterprises. About growth. About taking the business ahead. About taking risks. The challenges that MSEs face are numerous. Availability of adequate and timely finance is a major concern. Everyone wants to lend to the large and successful enterprises with strong balance sheets. There is a hesitation to lend to those that want to be big and need capital but have no collaterals or guarantees to offer. MSEs need not lose hope.

We are in the business of rekindling this hope. We are in the business to inspire the passion called entrepreneurship. To be there with the enterprise/entrepreneur when they need us the most. Be the guide. Be the mitigator and lend a helping hand.

We encourage entrepreneurship.

Last year over 53,000 entrepreneurs experienced the uniqueness called CGTMSE. An institution that has been built to inspire. We guarantee the lender that in the event of the MSE entrepreneur failing to pay the dues to the bank due to business risks, we will pay them. CGTMSE was founded by the

Government of India and SIDBI to provide guarantees to banks and financial institutions for their collateral-free and third party guarantee free loans. Currently loans upto Rs. 100 lakh to enterprises in the MSE sector are covered under the Credit Guarantee Scheme (CGS). For the past nine years, we have been providing a unique service of being the bridge between the enterprise and the lender. A bridge that marries inspiration and hope.

And in the process, we touch millions of lives directly and several more indirectly. We work with enterprises at the bottom of the industrial structure. At times when they need us. The impact is profound. We inspire confidence in them. Confidence to look ahead, confidence to dream big. That's our business. To positively impact the lives of entrepreneurs at the lowest level. To enable availability of collateral free credit.

This is a validation.

An assessment of the impact of the coverage under CGS as at March 31, 2009 indicates that there is an estimated employment generation of over 22.07 lakh persons, expected turnover of Rs. 36,001.95 crore and estimated exports of Rs. 1113.79 crore.

At CGTMSE, we believe there is no dream too big, no idea too small.

Welcome to the world of CGTMSE

Encouraging entrepreneurship. Enabling collateral free credit.



Weaving a colourful future for the MSEs



Letter of Transmittal

Credit Guarantee Fund Trust for Micro and Small Enterprises
MSME Development Centre, 7th Floor,
C-11/G-Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051.

August 06, 2009.

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:

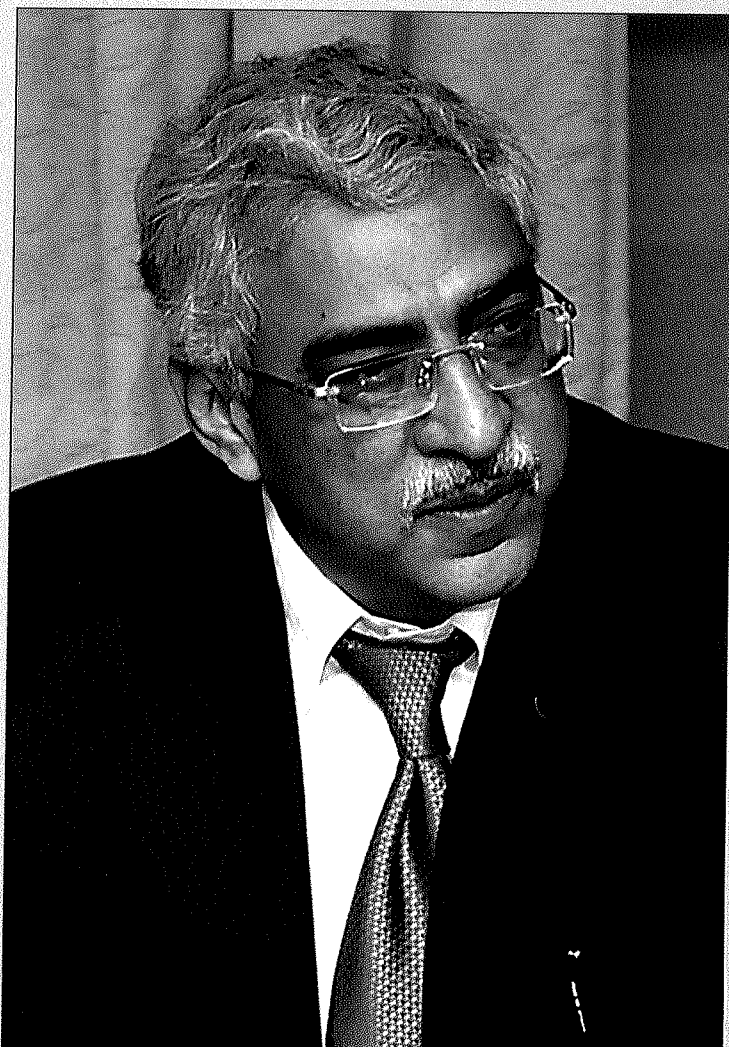
- 1) A copy of audited accounts of the Trust for the financial year ended March 31, 2009, together with Auditor's Report, and
- 2) A copy of the report on the working of Credit Guarantee Fund Trust for Micro & Small Enterprises for the period ended March 31, 2009.

Yours faithfully,

sd/-

(O. S. Vinod)
Chief Executive Officer

Message from the Chairman



“It is largely to the credit of the forceful economic stimulus packages initiated by the Government of India, sound regulations, financial supervision and other impactful policy measures by the Reserve Bank of India that the concerns of the MSE sector have been broadly addressed.”

Shri R. M. Malla



Mumbai,
August 06, 2009.

The recent global financial meltdown has brought into sharper focus the growing relevance of sovereign Credit Guarantee Organisations in providing a strong and supportive mechanism to instill greater confidence among the participants in the financial and banking sectors. Developing countries have also been adversely impacted by the global economic downturn. However, there has been sustained and synchronized Governmental effort to reduce the fall out to the minimum and to work in tandem with each other to ameliorate the situation.

The Micro and Small Enterprises (MSE) sector in India which is one of the important engines of growth in the economy has had to unexpectedly face the financial crisis at a time when things were looking bright and positive. It is largely to the credit of the forceful economic stimulus packages initiated by the Government of India, sound regulations, financial supervision and other impactful policy measures by the Reserve Bank of India that the concerns of the MSE sector have been broadly addressed. The MSEs on their part have also exhibited strong resilience to the economic slowdown and are quickly repositioning themselves to face the future with a new sense of confidence and optimism.

It is time for banks and financial institutions to fine tune their lending strategies to the MSE sector and to innovate the same by suitably incorporating de-risking measures so as to continue to finance the sector more vigorously. The financial and business risks of lending to MSEs have to remain within

manageable limits through a judicious mix of stringent appraisal and guarantee interventions. There is a new hope and the prospects for the economy during FY 2010 appear to be optimistic. Early signs of revival in certain sectors of the economy combined with low inflation and higher Government spend on infrastructure, primary health, education, rural development, employment generation programmes and other focus areas promise a new hope for the common man. CGTMSE on its part is deeply committed to pursuing this development agenda by accelerating the guarantee coverage during FY 2010 and providing the requisite stimulus for institutional lending to the MSEs in larger measure.

In the coming years, CGTMSE would continue to strive relentlessly to bring about a transformation in banks' lending to MSEs by providing overwhelming support and incorporating confidence building measures in its operations to make collateral-free lending to MSEs the most preferred and profitable option.

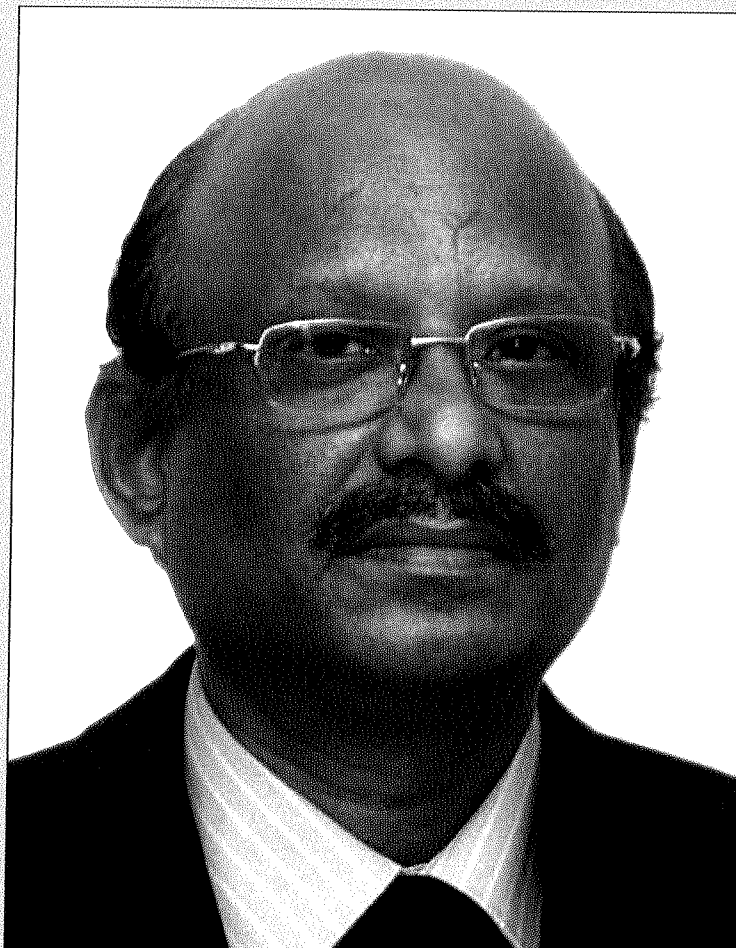
I take this opportunity to thank the Government of India, RBI, SIDBI, all Member Lending Institutions and MSE entrepreneurs for their continued support and co-operation. Lastly, the team at CGTMSE deserves special appreciation for their praiseworthy performance.

With regards

R. M. Malla



Message from the CEO



“We pledge to
commit our energies
in the days ahead to
creating an enabling
environment for
MLIs to lend to the
MSE sector in
greater measure.”

Shri O. S. Vinod



Mumbai,
August 06, 2009.

The year 2008-09 has been a rather remarkable year for CGTMSE's operations. The coverage under Credit Guarantee Scheme (CGS) had crossed the one lakh mark in June 2008, followed by the highest coverage during a single year of 53,708 guarantee approvals and cumulatively achieving coverage of 1,50,034 proposals for Rs. 4824.34 crore as at March 31, 2009. The growth in FY 2009 over the previous year was 77% and 108% in terms of number of enterprises and amount accorded guarantee approvals respectively.

Both the Economic Stimulus Packages announced by the Government of India in December 2008 and January 2009 respectively included modifications to the CGS with a view to providing greater comfort to lending institutions in increasing their exposure to the MSE sector during the critical period the economy was passing through. The sharp increase in guarantee covers in FY 2009 and first quarter of FY 2010 is a clear response to these initiatives.

It is a matter of pride and satisfaction that Member Lending Institutions (MLIs) now have greater faith and trust in CGTMSE's claims payment process which has been recognized as a major USP of the organization. The claims settlement process has been made online and all applications are expeditiously disposed of. The endeavour is to settle the first installment of all eligible claims on the day of receipt itself unless there are further clarifications required.

We recognise that the demand from the MSE sector for collateral-free credit is high and has to be addressed appropriately by all concerned. Our efforts at creating awareness about CGS amongst potential borrowers and sensitizing operating level officers of MLIs

have started yielding results. However, looking to the vast canvas of MSE entrepreneurs in the country and their credit requirement, we are humbled by the size of our contribution. Nevertheless, we pledge to commit our energies in the days ahead to creating an enabling environment for MLIs to lend to the MSE sector in greater measure. The courage for this commitment comes from the strong and enduring support from our Settlers viz., Government of India and SIDBI, our partner MLIs and MSE entrepreneurs who are the true reason for our existence.

International recognition has come to CGTMSE by way of being admitted as a Member of the Asian Credit Supplementation Institution Confederation (ACSIC), an association of Credit Guarantee Organisations in the Asian and Pacific Region, after being an 'Observer' for 2 years. We express our gratitude to ACSIC for their kind support and look forward to greater engagement with the guarantee organizations in the Region on areas of mutual interest.

As we enter our tenth year of operations, we step back to introspect on the road travelled so far, the achievements and shortcomings and to draw up a roadmap for the next decade of purposeful contribution to the MSE sector. In all these endeavours, we seek the active collaboration of all our partner institutions so as to make the CGS the preferred risk mitigant in MSE lending.

With regards

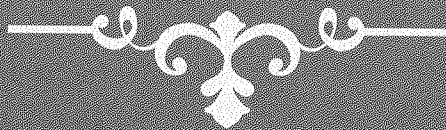
O. S. Vinod





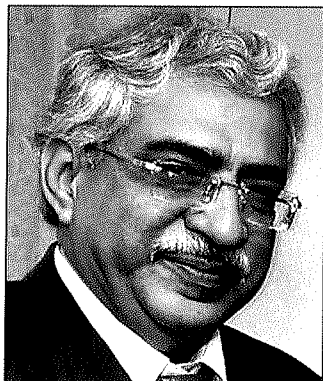
"The measure of a country's greatness should be on how well it cares for its most vulnerable populations."

- Mahatma Gandhi



Board of Trustees

(As on August 04, 2009)



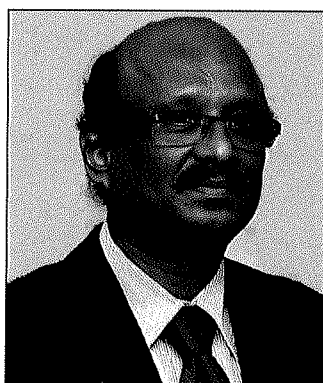
Shri R. M. Malla, *Chairman (ex-officio)*
Chairman & Managing Director
Small Industries Development Bank of India.



Shri Madhav Lal, *I.A.S., Vice Chairman (ex-officio)*
Additional Secretary &
Development Commissioner (MSME),
Ministry of Micro, Small and Medium Enterprises,
Government of India.



Shri M. V. Nair, *Member (ex-officio)*
Chairman, Indian Banks' Association and
Chairman & Managing Director
Union Bank of India.



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



A giant opportunity for MSEs



Indian Economy

The Indian economy grew by 6.7% in FY 2009 as compared to annual growth of 8.9% on an average over the preceeding five years. The reduction in growth rate is due to lower growth registered by all the constituent sectors of the economy in FY 09 particularly agriculture and industrial sectors which recorded lower growth rate of 1.6% and 2.6% respectively. The services sector which had a share of over 60% in the GDP grew at 9.4% while exports and imports recorded growth of 4% and 21% respectively. Nevertheless, the growth is commendable considering the negative fall out of the global financial crisis and economic slowdown. The extent of the impact on the domestic economy was, however, limited on account of several factors. The Indian financial sector remained healthy as it had no direct exposure to tainted assets and its off balance sheet activities were limited.

Secondly, Indian merchandise exports, at less than 15% of GDP is relatively modest. Besides, India's comfortable foreign exchange reserves helped to manage the balance of payment not withstanding moderation in export demand and lower capital flows. The headline inflation, as measured by wholesale price index declined sharply from a peak of 12.91% on August 2, 2008 to 0.26% by March 28, 2009 while consumer price inflation was moderate. The three economic stimulus packages launched by the Government of India on top of the extended safety net programme

for the rural poor, farm loan waiver programme and payment following the sixth pay commission helped to stimulate domestic demand. Overall, the performance of the economy during FY 09 may be considered satisfactory keeping in view the various constraints.

Micro & Small Enterprises (MSEs)

The MSE sector has been a major contributor to the manufacturing output, exports and employment in the country. The 11th Five Year Plan approval document states that the MSEs and the corporate sector has a critical role to play in achieving the objective of faster and more inclusive growth. Data on performance of the MSE sector in FY 09 is not available but it is estimated that there has been a moderation in the growth of the sector. MSEs which undertake manufacturing as sub contracts or suppliers / ancillaries to large units and those predominantly in export oriented sectors were affected due to the slow down. The other sub sectors also witnessed subdued growth due to lower growth rate in various segments of the economy.

In order to alleviate the problems faced by the MSE sector, the Government of India and Reserve Bank of India initiated a series of policy measures aimed at boosting domestic demand and consumption. Several new programmes were started to provide fillip to entrepreneurship in MSE sector. The

Prime Minister's Employment Generation Programme (PMEGP) was launched by combining the Rural Employment Generation programme and Prime Minister's Rozgar Yojana. The thrust of the new programme is on generating new employment opportunities in semi urban and rural areas by setting up self employment ventures, bring together dispersed traditional artisans and unemployed youth and provide them continuous and sustainable employment, arrest rural-urban migration and increase wage earning capacity of artisans. Khadi & Village Industries Commission is the nodal agency for this programme. The upper limit of the project cost that can be set up in the manufacturing sector and the business / services sector is Rs. 25 lakh and Rs. 10 lakh respectively. The subsidy for setting up micro enterprises is 15% and 25% respectively in urban areas and 25% and 35% respectively in rural areas for general category and special category. Under the scheme, Rs. 4735 crore in addition to Rs. 250 crore towards forward and backward linkages has been earmarked to generate around 37.38 lakh employment opportunities during the four years.

In order to facilitate improvement in competitiveness of the MSME sector, the National Manufacturing Competitiveness Programme has been launched and five components of the programme have been made operational viz., quality

management systems and quality technology tools, building awareness on intellectual property inputs, support for entrepreneurial and managerial development through incubators, setting up of new mini tool rooms and marketing assistance / support to MSEs.

An important initiative to enable potential first generation entrepreneurs set up their enterprises has been launched under the Rajiv Gandhi Udyami Mitra Yojana. Under the scheme, handholding support and guidance is provided to the entrepreneurs to help them in completing formalities for establishment of enterprises. Similarly, under the KVIC sector, new schemes have been launched which include the Work shed scheme for khadi artisans which is targeted to provide 38000 work sheds to artisans and scheme for enhancing productivity and competitiveness of khadi industries and artisans to be operated through 200 selected khadi institutions. A scheme to rejuvenate, modernize and technologically support the spinners engaged in coir production has also been operationalised.

The phased deletion of products from the list of items reserved for the exclusive manufacture by MSEs is being continued. However, the government deleted 14 items from the list and currently only 21 items are reserved for this sector.

Bank Credit to Micro & Small Enterprises (MSEs)

Increasing the flow of credit to MSE sector has been a major policy objective of the Government of India. The outstanding advances to the sector has shown an increasing trend and constitute a major segment of total bank credit to the non farm sector. Data relating to advances of Scheduled Commercial Banks (SCBs) to the MSEs during FY 2007 to FY 2009 is given in table below :

March 2009 was 26.5% of the total priority sector advances of these banks. The share of private sector banks was 11.8% of adjusted net bank credit and 25.3% of the total priority sector advances of these banks.

Public sector banks have been advised to operationalise at least one specialized SME branch in every district and centre having a cluster of SME units. As at

Bank credit to MSEs					(Rs. crore)
As on last reporting Friday of March	Public sector banks	Private sector banks	Foreign banks	All SCBs	% of MSE credit to net bank credit for SCBs
2007	1,02,550	13,136	11,637	1,27,323	7.2
2008	1,51,137	46,912	15,489	2,13,538	11.6
2009 (P)	1,90,968	47,916	18,188	2,57,072	11.4

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

Source : RBI Annual Report, 2008-09

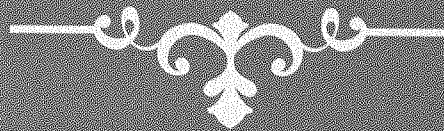
It will be seen from the above table that the total outstanding credit provided by all SCBs to the MSE sector as on the last reporting Friday of March 2009 was Rs. 2,57,072 crore constituting 11.4% of the Net Bank Credit for SCBs. The share of total credit provided by Public Sector Banks as on the last reporting Friday of

the end of March 31, 2009, 869 specialised SME bank branches were operationalised by the banks as against 638 specialised branches during March 31, 2008. With the focused attention by these specialized branches, MSE credit is anticipated to grow further during the current financial year.



"Credit is the lifeline of any business more so for businesses in MSE sector. Our Government is committed to double the flow of credit to MSMEs in five years."

- Dr. Manmohan Singh, Hon'ble Prime Minister



Report on the working of the Credit Guarantee Fund Trust for Micro and Small Enterprises for the year ended March 31, 2009

Introduction

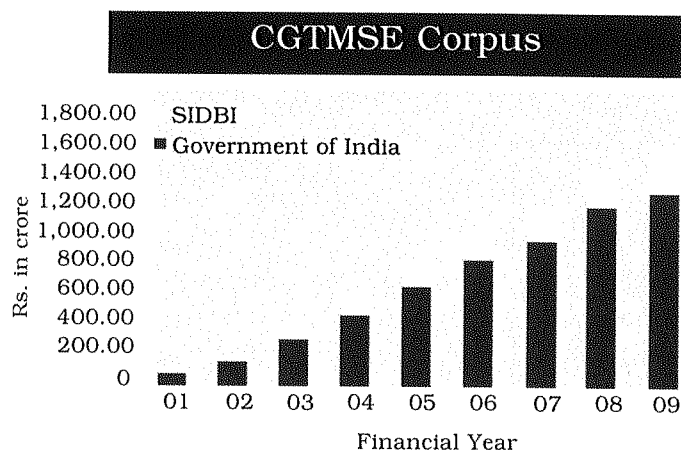
1. Corpus Fund of CGTMSE

The initial corpus of the Trust of Rs. 125 crore contributed by the settlors, Government of India and Small Industries Development Bank of India (SIDBI), in the ratio of 4:1 in August 2000 has since been enhanced to Rs. 1740.16 crore as at March 31, 2009. The details of the corpus contribution since inception is given in the following table:

Corpus Contribution (Amount in Rs.)

Year	Govt. of India	SIDBI	Total
2000 - 01	1,000,000,000	250,000,000	1,250,000,000
2001 - 02	1,000,000,000	250,000,000	1,250,000,000
2002 - 03	1,416,150,000	354,037,500	1,770,187,500
2003 - 04	1,920,000,000	518,350,000	2,438,350,000
2004 - 05	2,116,300,000	490,725,000	2,607,025,000
2005 - 06	2,000,000,000	500,000,000	2,500,000,000
2006 - 07	1,239,983,000	329,995,750	1,569,978,750
2007 - 08	1,980,000,000	475,000,000	2,455,000,000
2008 - 09	1,221,000,000	340,025,000	1,561,025,000
	13,893,433,000	3,508,133,250	17,401,566,250

An additional contribution of Government of India for FY 2008-09 of Rs. 13.91 crore was received in April 2009 taking the total corpus to Rs. 1754.06 crore as on date. Out of the committed corpus of Rs. 2,500 crore by the Settlers, 70.16% has been received.

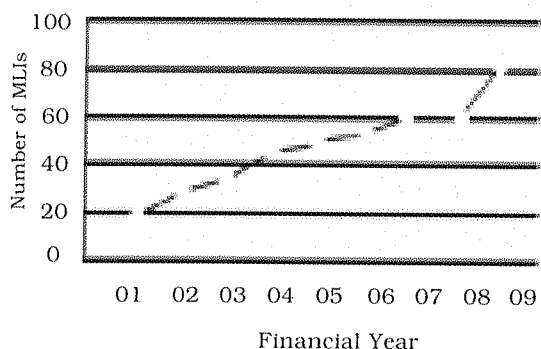


Shri. Dinesh Rai, I.A.S, Secretary (MSME), Govt. of India, addressing the India MSME Summit at New Delhi.

2. Member Lending Institutions

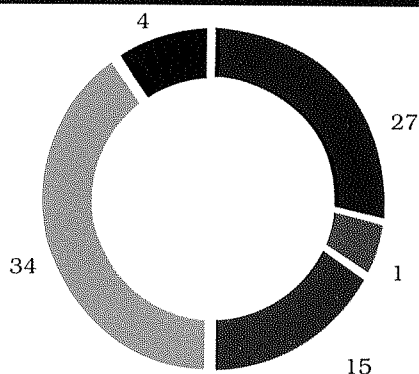
2.1 As of March 31, 2009, 81 eligible lending institutions (Annexure-I) comprising 27 Public Sector Banks, 15 Private Sector Banks, 1 Foreign Bank, 34 Regional Rural Banks (RRBs), National Small Industries Corporation (NSIC), North Eastern Development Finance Corporation Ltd (NEDFi), Small

Growth in Number of MLIs



Industries Development Bank of India (SIDBI) and The Tamil Nadu Industrial Investment Corporation Ltd. (TIIC) are registered as Member Lending Institutions (MLIs) of the Trust.

Composition of MLIs



■ PUBLIC SECTOR BANKS ■ REGIONAL RURAL BANKS
■ FOREIGN BANK ■ FINANCIAL INSTITUTIONS
■ PRIVATE SECTOR BANKS

2.2 During the period under review, 22 Banks/ RRBs/ Financial Institutions have registered as Member Lending Institutions viz, Yes Bank Ltd., The Dhanalakshmi Bank Ltd., Deutsche Bank, Aryavart Gramin Bank, Assam Gramin Vikash Bank, Baroda Gujarat

Gramin Bank, Cauvery Kalpatharu Grameena Bank, Gurgaon Gramin Bank, Jaipur Thar Gramin Bank, Lucknow Kshetriya Gramin Bank, Madhya Bihar Gramin Bank, Narmada Malwa Gramin Bank, North Malabar Gramin Bank, Pallavan Gramin Bank, Parvatiya Gramin Bank, Punjab Gramin Bank, Rajasthan Gramin Bank, Rushikulya Gramya Bank, Saurashtra Gramin Bank, Triveni Kshetriya Gramin Bank, Uttaranchal Gramin Bank, The Tamil Nadu Industrial Investment Corporation Ltd (TIIC).

2.3 Further, 10 MLIs viz, Aryavart Gramin Bank, Assam Gramin Vikash Bank, Haryana Gramin Bank, Jaipur Thar Gramin Bank, Karnataka Vikas Grameena Bank, Kashi Gomti Samyut Gramin Bank, Lucknow Kshetriya Gramin Bank, Madhya Bihar Gramin Bank, Prathama Bank, Uttaranchal Gramin Bank have started availing of guarantee cover during the financial year 2008-09. 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. Modifications to the Credit Guarantee Scheme

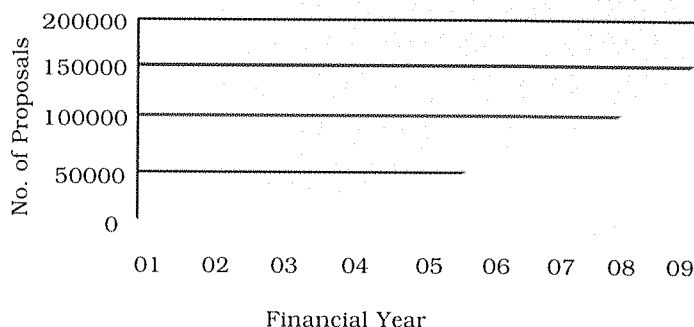
3.1 In terms of the Economic Stimulus Package announced by Government of India on December 07, 2008, the following modifications have been effected under the Credit Guarantee Scheme:

(1) The eligible amount under CGS was increased from Rs. 50 lakh to Rs. 100 lakh for Scheduled Commercial Banks and select Financial Institutions.

(2) Lock-in period for filing of claims by MLIs reduced from 24 months earlier to 18 months.

3.2 In terms of Additional Economic Stimulus Package announced by Government of India on January 02, 2009, the Guarantee Cover has been increased to 85% for credit facility upto Rs. 5 lakh sanctioned to micro enterprises. The current position of extent of guarantee cover is as follows:

Number of Credit Guarantee Approvals (Cumulative)



Category	Maximum extent of Guarantee where credit facility is		
	Upto Rs. 5 lakh	Above Rs. 5 lakh upto Rs. 50 lakh	Above Rs. 50 lakh upto Rs. 100 lakh
Micro Enterprises	85% of the amount in default subject to a maximum of Rs. 4.25 lakh	75% of the amount in default subject to a maximum of Rs. 37.50 lakh	Rs. 37.50 lakh plus 50% of amount in default above Rs. 50 lakh subject to overall ceiling of Rs. 62.50 lakh
Women entrepreneurs / Units located in North East Region (incl. Sikkim) (other than credit facility upto Rs. 5 lakh to micro enterprises)	80% of the amount in default subject to a maximum of Rs. 40 lakh		Rs. 40 lakh plus 50% of amount in default above Rs. 50 lakh subject to overall ceiling of Rs. 65 lakh
All other category of borrowers	75% of the amount in default subject to a maximum of Rs. 37.50 lakh		Rs. 37.50 lakh plus 50% of amount in default above Rs. 50 lakh subject to overall ceiling of Rs. 62.50 lakh

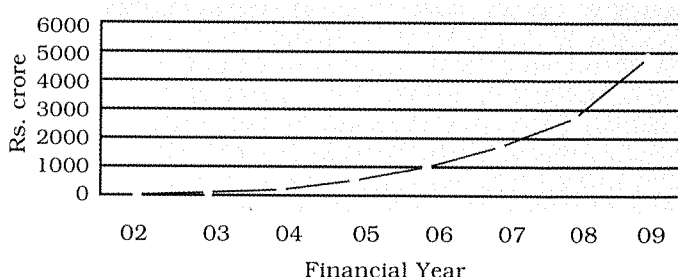
4. Operations under Credit Guarantee Scheme (CGS)

4.1 Of the 81 MLIs registered with the Trust as at March 31, 2009, 53 MLIs availed of the guarantee facility in respect of their collateral-free and / or third party guarantee-free credit facility upto Rs. 100 lakh extended to eligible Micro and Small Enterprises (MSEs). Particulars of MLI-wise guarantee approvals during FY 2009 and as at March 31, 2009 are given in Annexure-II.

4.2 During FY 2009, 53708 proposals were approved for guarantee cover as against 30,285 proposals in FY 2008 registering a growth of 77%. The aggregate credit amount for which

approval for guarantee cover was extended during FY 2009 stood at Rs. 2,199.40 crore against Rs. 1055.84 crore in FY 2008 recording an increase of 108%. Cumulatively as at March 31, 2009, the guarantee approval was 1,50,034 proposals for Rs. 4,824.34 crore.

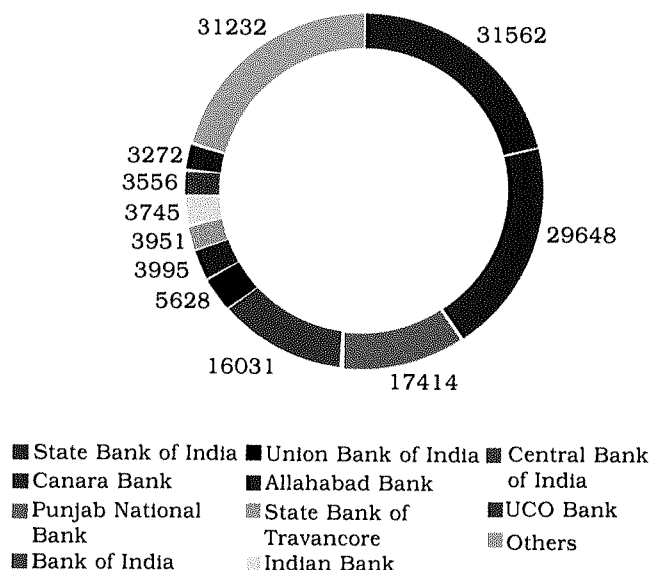
Amount of Credit Guarantee Approval (Rs. crore) (Cumulative)



4.3 During FY 2009, the top five MLIs in terms of number of proposals approved under CGS were Bank of India (9,470 proposals for Rs. 494.23 crore); State Bank of India (9,373 proposals for Rs. 329.28 crore); Canara Bank (7,960 proposals for Rs. 224.10 crore); Punjab National Bank (6,034 proposals for Rs. 213.68 crore) and Allahabad Bank (2,524 proposals for Rs. 55.35 crore).

4.4 Cumulatively as on March 31, 2009 State Bank of India had the highest

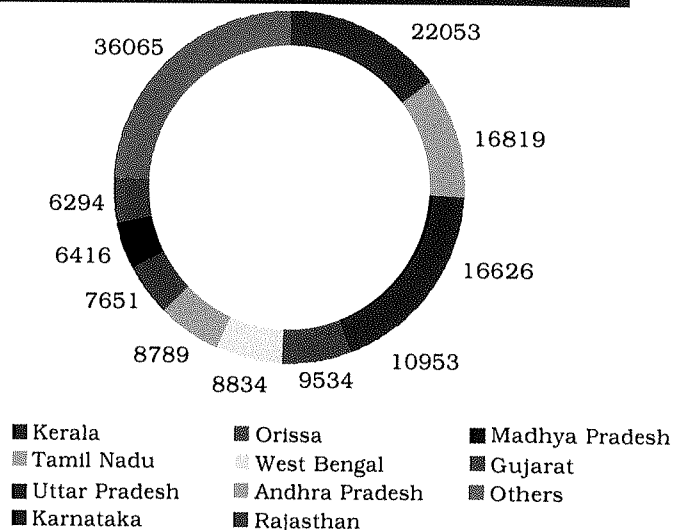
Number of credit proposals covered under the scheme by MLIs as on March 31, 2009 (Cumulative)



coverage of 31,562 credit proposals for Rs. 832.31 crore followed by Canara Bank with 29,648 proposals for Rs. 638.11 crore; Punjab National Bank (17,414 proposals for Rs. 336.86 crore); Bank of India (16,031 proposals for Rs. 704.81 crore) and Union Bank of India (5,628 proposals for Rs. 169.81 crore).

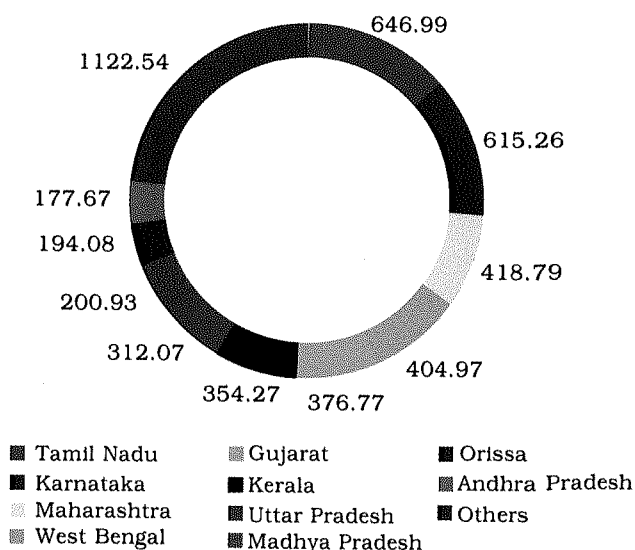
4.5 State-wise Guarantee coverage for the FY 2009 and cumulative as on March

State-wise Guarantees (Number) approved as on March 31, 2009 (Cumulative)



31, 2009 is given in Annexure-III. Among the states Kerala lodged the maximum number of applications (6,557 proposals for Rs. 125.30 crore) during FY 2009, followed by Uttar Pradesh (6,321 proposals for Rs. 158.52 crore); Tamil Nadu (4,638 proposals for Rs. 222.16 crore); Karnataka (4,020 proposals for Rs. 251.25 crore) and Maharashtra

State-wise Guarantees (Amount in Rs. crore) approved as on March 31, 2009 (Cumulative)

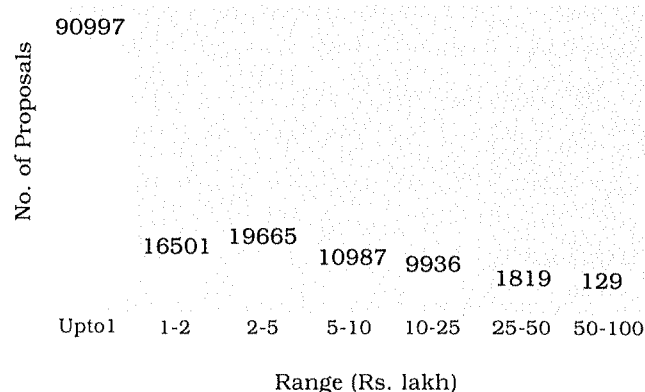


(3,906 proposals for Rs. 261.17 crore). Cumulatively, as on March 31, 2009, Kerala had the highest coverage of 22,053 proposals for Rs. 354 crore followed by Tamilnadu (16,819 proposals for Rs. 647 crore), Uttar Pradesh (16,626 proposals for Rs. 312 crore), Karnataka (10,953 proposals for Rs. 615 crore) and Orissa (9,534 proposals for Rs.194 crore).

4.6 The industry-wise assistance made available by MLIs under CGS as on March 31, 2009 is given in Annexure-IV. Other manufacturing units received maximum coverage in terms of amount of assistance covered under the CGS (38,744 Guarantee approvals for Rs. 1,352.01 crore) followed by Services (Industry related) (4,765 approvals for Rs. 144.38 crore); Textile products (1,798 approvals for Rs.140.06 crore); Metal Products (1,232 approvals for Rs. 88.60 crore) and Food products (1,357 approvals for Rs. 82.09 crore).

4.7 Of the 53,708 proposals approved during the FY 2009 for Rs. 2,199.40 crore, 28,518 proposals (53.10%) pertained to the category having credit component of upto Rs. 1 lakh; 7,491 units (13.95%) having credit component in the range of Rs. 1-2 lakh; 8,069 units (15.02%) having credit component in the range of Rs. 2-5 lakh; 4,310 units (8.02%) having credit component in the range of Rs. 5-10 lakh; 3,714 units (6.92%) having credit component in the range of Rs. 10-25 lakh; 1,477 units (2.75%) having credit component in the range of Rs. 25-50 lakh and 129 units (0.24%) having credit component in the

Number of Credit Proposals approved for Guarantee under various slabs (Cumulative)



upper band of Rs. 50-100 lakh. Slab-wise analysis of credit proposals approved under CGS is given in Annexure-V.

4.8 During FY 2009, 275 claims were settled for Rs. 8.53 crore towards first installment. Cumulatively as at March 31, 2009, claim in respect of 784 cases were settled for Rs. 18.77 crore.

4.9 In order to facilitate increased flow of credit to the artisans in handicrafts sector and to obviate the need for seeking reimbursement of Guarantee Fee (GF) / Annual Service Fee (ASF) paid by MLIs for guaranteed accounts, the Office of DC (Handicrafts) has proposed to place advance funds every year with CGTMSE for 4 year period so that MLIs need not pay GF / ASF for credit facility extended by them to artisans in handicrafts sector. The GF / ASF amount would be debited to this corpus by CGTMSE and guarantees issued / validated. Accordingly, CGTMSE has received Rs. 2.80 crore from the Office of DC (Handicrafts) in April 2009 for this purpose. Necessary modifications have

been made in the online GF / ASF module to enable MLIs to indicate that the GF / ASF has to be debited to this account. However, if at any time during the year the amount in the corpus is exhausted, then GF / ASF will have to be paid by the MLI pending receipt of funds from the Office of DC (Handicrafts).

5. Risk Sharing Facility (RSF)

During FY 2009, a pilot project of Risk Sharing Facility (RSF) was launched by the Trust. The Scheme was facilitated by financial support from World Bank Line of Credit to SIDBI and a corpus of Rs. 25 crore was placed with CGTMSE for implementation of the Scheme. Under the RSF, collateral-free credit between Rs. 50 lakh and Rs. 100 lakh extended by MLIs to units in MSE sector were provided 50% guarantee support subject to fulfillment of certain conditions.



Shri. R. M. Malla, Chairman, CGTMSE and Dr. K. C. Chakrabarty, then CMD, Punjab National Bank signing MoU for Risk Sharing Facility Scheme.

MoUs were signed between September 03, 2008 and November 11, 2008 with eight MLIs for operationalising the Scheme. 64 proposals have been covered by six MLIs under RSF for Rs. 47.54

crore. 30 proposals were sanctioned by SIDBI which emerged as the top MLI followed by Union Bank of India (11), Bank of India and Bank of Baroda (8 each), Punjab National Bank (6) and Canara Bank (1). The highest coverage has been in Maharashtra with 16 proposals for Rs. 12.13 crore followed by 13 other States / Union Territories. The largest number of units, 21 units was covered in the Rs. 50-60 lakh category followed by 15 units in Rs. 90-100 lakh category. 12 units were in the Rs. 70-80 lakh category; 9 in Rs. 80-90 lakh category while 7 were in the Rs. 60-70 lakh category. Similarly, 25 proposals were in the engineering sector followed by 10 other sectors. The assistance is more or less evenly distributed among term loans, working capital and composite loans. 17 of the proposals sanctioned has been in the top rating category of the banks followed by 16 in next notch and majority (30 proposals) in the third notch with one in the fourth notch. 34 projects were new, 6 diversification proposals and credit to 24 units was for expansion purpose. Tentative assessment of the impact of the guarantees approved as revealed from information provided by the MLIs indicates that the employment generated would be 1,996 persons, expected sales turnover of Rs. 344.34 crore, exports of Rs. 11.79 crore with 2 women (Rs. 1.5 crore) and one entrepreneur from backward classes (Rs.1 crore) being covered under the Scheme. The pilot scheme has come to an end on December 31, 2008. The corpus of RSF was leveraged 1.90 times to extend guarantees of Rs. 47.54 crore. The

Scheme was well received by all the participating MLIs and with the increase in ceiling amount under CGS to Rs. 100 lakh, RSF was not extended beyond December 31, 2008.

6. Awareness Programmes

6.1 Various development initiatives taken up by CGTMSE have started yielding positive results. From FY 2009, 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 advertisements not only helped in conveying the message of CGS but also reinforced the fact that collateral-free credit is available to the smallest entrepreneur in the farthest corner of the country.

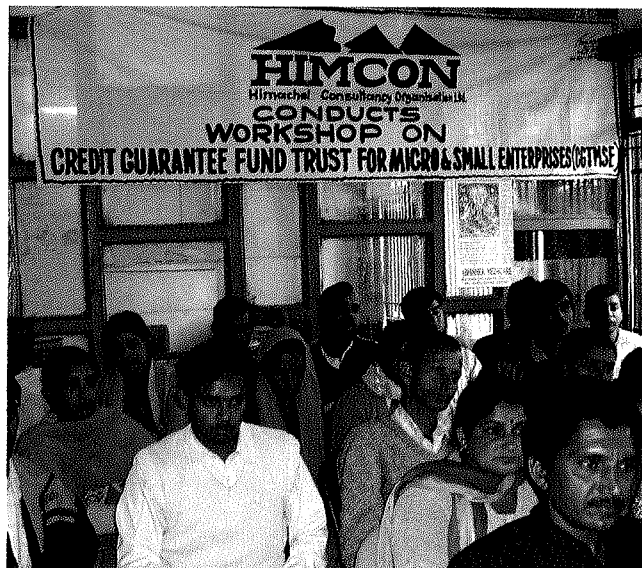
6.2 Credit guarantee can be issued only when a loan is sanctioned by the bank. To sensitise the branch level officials of Member Lending Institutions (MLIs) on



Shri. R. M. Malla, Chairman, CGTMSE and other officials of SIDBI and CGTMSE at the CGTMSE stall at Vibrant Gujarat Global Investors Summit 2009, Ahmedabad.

advantages of CGS and operational matters, training programmes were organized at the banks premises in different parts of the country. In order to create awareness amongst the banks and other stakeholders, during FY 2008-09, 217 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. As a part of business development strategy CGTMSE officials made several visits to operating offices of the MLIs to generate new business. The impact of these continued efforts is reflected in penetration of CGS across the country.

6.3 CGTMSE has been disseminating information to entrepreneurs through

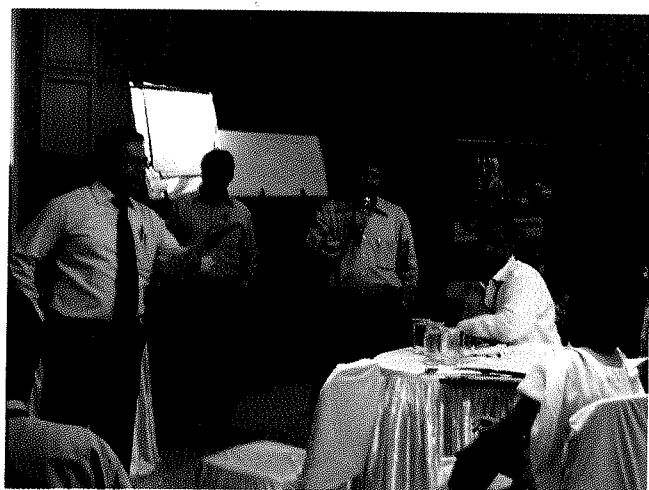


CGS awareness programme at Shimla, Himachal Pradesh organised by HIMCON.

various Entrepreneurial Development Institutes and prominent training institutes such as HIMCON in Himachal Pradesh, J&K EDI in Jammu and Kashmir, MITCON in Maharashtra, and Institute of Entrepreneurial

Development (IED) in Uttar Pradesh etc. HIMCON had conducted 26 sensitization programmes in 9 districts in the State of Himachal Pradesh; J&K EDI conducted sensitization programmes in all districts in Jammu and Kashmir. MITCON had conducted sensitization programmes in 15 districts in the State of Maharashtra. IED UP had conducted 3 programmes in Gorakhpur District and 4 in Agra. SIDBI in association with NABARD and MSME-DI has conducted workshops in 8 districts in Kerala for popularising the Scheme. CGTMSE is in the process of identifying similar agencies/ institutions in other states particularly where the guarantee coverage is low. Similarly, industry associations both at national and regional / State level have been targeted for organizing seminars on CGS.

6.4 The official website of CGTMSE has been updated to include more information about CGS and new features so that it becomes an important means of communication with the viewers. Mails received from existing / prospective MSE entrepreneurs are being attended to



Programme on 'Bank Credit to MSEs and Role of Credit Guarantee' in association with GTZ, Germany and organised by Dun & Bradstreet at Nasik, Maharashtra.

promptly. CGTMSE has already linked its website with Banks and other important MSE related sites so that more users are able to log on to the website and get information.

6.5 CGTMSE held interactive meetings with the senior management / operating

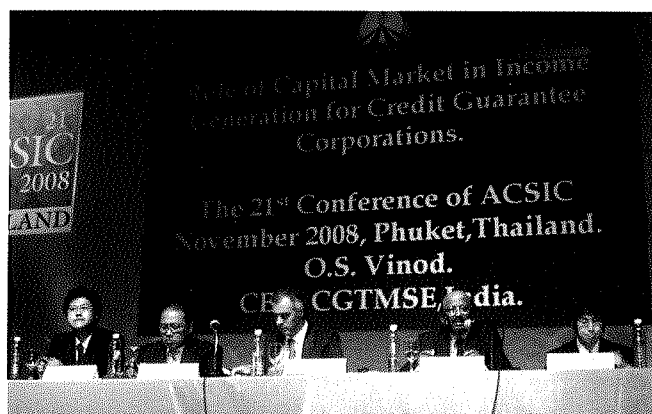


MoU with State Bank of India for implementing Portfolio Credit Guarantee Scheme. Shri. O. P. Bhatt, Chairman, SBI, Shri. R. M. Malla, Chairman, CGTMSE and senior officials of SBI and CGTMSE.

level officials of MLIs, representatives of Industry Associations, officials of Government of India and other agencies which are actively associated in the delivery of institutional credit to MSEs. 66 such interactive meetings were held during the year ended March 31, 2009 and this has resulted in scaling up the coverage under CGS significantly. Similar efforts will continue to be made in FY 2010 to increase flow of institutional credit to the MSEs. CGTMSE also held detailed discussions with the delegations from DFID, UNIDO, GTZ and other international agencies during their visit to India as part of its study on MSME in the country.

6.6 CGTMSE had been enjoying the status of an 'Observer' of the Asian Credit Supplementation Institution

Confederation (ACSIC). Delegations from CGTMSE had participated in the 20th and 21st ACSIC Conferences held in FY 08 and FY 09 respectively. The participation in such ACSIC Conferences has helped in understanding the best international practices in credit guarantee business. After the deliberations of the 21st ACSIC, CGTMSE has been made a full member



Shri. O. S. Vinod, CEO, CGTMSE addressing the 21st ACSIC Conference at Phuket, Thailand.

of ACSIC. The officials of CGTMSE were also deputed for the ACSIC Training Programmes (ATP).

6.7 A multi-stakeholder Consultative Conference on SME Credit Guarantee Best Practices was held in Mumbai in July 2008 with active support and participation from SIDBI and GTZ, Germany. Based on the recommendations of the Consultative Conference, GTZ sponsored the services of consultants to assist the Trust in undertaking the Portfolio Review. The Portfolio Review was undertaken by two credit experts with varied and rich experience in credit guarantees and MSE banking in India and overseas. A report has been submitted to the Trust which is under examination for implementation.

7. Overall Impact of CGS Operations

An assessment of the impact of the operations under CGS as at March 31, 2009 is tabled below:

Particulars	As on March 31, 2009
	(Amount in Rs. crore)
No. of MSE units/facilities	150,034
Loan Amount extended by MLIs	4,824.34
Expected turnover of guaranteed units	36,001.95
Expected exports by guaranteed units	1,113.79
Expected employment generation (No.)	22.07 lakh persons

8. Auditors

8.1 M/s. Ray & Ray, Mumbai, a firm of Chartered Accountants, has been appointed as internal auditors of CGTMSE for FY 2008-09. The Auditors have undertaken a comprehensive review of the entire computer systems as also financial audit covering revenue expenses, investment and revenue income.

8.2 As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. B.Y. Srinivasan & Associates, Mumbai, a firm of Chartered Accountants, as Statutory Auditors of CGTMSE for FY 2008-09.

9. Tax Exemption to CGTMSE

As per the provisions of the Finance Bill introduced by the then Hon'ble Finance Minister on February 28, 2002 and passed by the Parliament, under sub-section 23EB u/s 10 of Income Tax Act, 1961, the income of CGTMSE was exempted from tax payment for a period

of 5 years commencing from the FY 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 2008-09, CGTMSE has claimed exemption u/s 11 and 12 of the Act and for which the Trust has obtained the opinion of M/s. Bansilal S. Mehta & Co. eminent Tax Consultant. In this regard the Trust has filed for refund of income tax paid of Rs. 113.45 crore with the Income Tax department.

10. Accounts

Income and Expenditure Account for the year ended March 31, 2009 and Balance Sheet as at March 31, 2009, together with the Auditor's Report are attached. During FY 2008-09, the Trust earned income of Rs. 214.21 crore, comprising mainly Guarantee Fee (Rs. 24.66 crore), Annual Service Fee (Rs. 10.56 crore) and interest earned on investments (Rs. 178.99 crore). Trust had incurred Rs. 11.08 crore towards various operational and administrative expenditure mainly comprising claims paid (Rs. 8.38 crore), staff salaries and allowances (Rs. 0.87 crore), advertising and publicity expenses (Rs. 1.28 crore), rent for office premises (Rs. 0.60 crore), web-hosting, IT services and other related charges for computer and software expenditure (Rs. 0.44 crore), service charge paid to SIDBI (Rs. 0.20 crore) and other office expenses. The excess of income over expenditure was Rs. 178.99 crore prior to taxes. The provision for claims has been made at Rs. 24.15 crore. Post taxes the Trust has earned excess of income over

expenditure of Rs. 178.99 crore in FY 2008-09. 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 settlers to the extent of Rs. 156.10 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 as on March 31, 2009 stood at Rs. 1,740.16 crore. The total investment as at March 31, 2009 stood at Rs. 2,082.77 crore as against Rs. 1,896.69 crore as at the end of the previous year. During the year ended March 31, 2009, guarantee cover issued by the Trust was for Rs. 1,721.25 crore taking the cumulative guarantees issued to Rs. 3,937.71 crore .

11. Management & Organisation

11.1 The Board of Trustees during FY 2008-09 comprised of Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises (MSME), Government of India as ex-officio Vice-Chairman, Chairman, Indian Banks' Association

(IBA) as ex-officio member and Chief Executive Officer of CGTMSE as Member



Dr. K. C. Chakrabarty, then CMD, Punjab National Bank, Shri Rakesh Rewari, Deputy Managing Director SIDBI and Shri. O. S. Vinod, CEO, CGTMSE at the India MSME Summit at New Delhi.

Secretary. During FY 2008-09, 3 meetings of the Board of Trustees were held. As on March 31, 2009, thirteen officers including the CEO were on deputation with CGTMSE from SIDBI.

11.2 The Board of Trustees of CGTMSE appreciates the support and cooperation received from Ministry of MSME, Government of India, Office of DC (MSME), Ministry of MSME, Government of India, Office of DC (Handicrafts), Ministry of Textiles, Government of India, SIDBI, RBI, IBA, MLIs of CGTMSE, GTZ, World Bank, various State-level institutions and MSE Industry Associations.

Credit Guarantee Fund Trust for Micro and Small Enterprises

Place: Mumbai

Date: August 4, 2009

FOR AND ON BEHALF OF THE BOARD OF TRUSTEES

(R. M. Malla)

Chairman

ANNEXURE I

Credit Guarantee Fund Trust for Micro and Small Enterprises

Member Lending Institutions (MLIs) of CGTMSE as on March 31, 2009

Total No of MLI - 81

(A) SCHEDULED COMMERCIAL BANKS

(i) PUBLIC SECTOR BANKS

- 1 Allahabad Bank
- 2 Andhra Bank
- 3 Bank of Baroda
- 4 Bank of India
- 5 Bank of Maharashtra
- 6 Canara Bank
- 7 Central Bank of India
- 8 Corporation Bank
- 9 Dena Bank
- 10 IDBI Bank Limited
- 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

- 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 Travancore

(iii) PRIVATE SECTOR BANKS

- 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 Dhanalakshmi Bank Ltd.
- 11 The Federal Bank Ltd.
- 12 The Jammu & Kashmir Bank Ltd.
- 13 The Nainital Bank Ltd.
- 14 The South Indian Bank Ltd.
- 15 YES Bank Limited

ANNEXURE I (contd.)

Credit Guarantee Fund Trust for Micro and Small Enterprises

Member Lending Institutions (MLIs) of CGTMSE as on March 31, 2009

FOREIGN BANK

- 1 Deutsche Bank

(B) REGIONAL RURAL BANKS

- 1 Andhra Pragathi Grameena Bank
- 2 Aryavart Gramin Bank
- 3 Assam Gramin Vikash Bank
- 4 Baroda Gujarat Gramin Bank
- 5 Baroda Uttar Pradesh Gramin Bank
- 6 Cauvery Kalpatharu Grameena Bank
- 7 Chaitanya Godavari Grameena Bank
- 8 Chikmagalur-Kodagu Gramin Bank
- 9 Durg Rajnandgaon Gramin Bank
- 10 Gurgaon Gramin Bank
- 11 Haryana Gramin Bank
- 12 Jaipur Thar Gramin Bank
- 13 Karnataka Vikas Grameena Bank
- 14 Kashi Gomti Samyut Gramin Bank
- 15 Lucknow Kshetriya Gramin Bank
- 16 Madhya Bihar Gramin Bank
- 17 MGB Gramin Bank
- 18 Nainital - Almora Kshetriya Gramin Bank

- 19 Narmada Malwa Gramin Bank
- 20 North Malabar Gramin Bank
- 21 Pallavan Gramin Bank
- 22 Parvatiya Gramin Bank
- 23 Pragathi Gramin Bank
- 24 Prathama Bank
- 25 Punjab Gramin Bank
- 26 Purvanchal Gramin Bank
- 27 Rajasthan Gramin Bank
- 28 Rushikulya Gramya Bank
- 29 Saptagiri Grameena Bank
- 30 Saurashtra Gramin Bank
- 31 Shreyas Gramin Bank
- 32 South Malabar Gramin Bank
- 33 Triveni Kshetriya Gramin Bank
- 34 Uttaranchal Gramin Bank

(C) LENDING INSTITUTIONS

- 1 National Small Industries Corporation Ltd.
- 2 North Eastern Development Finance Corporation Ltd.
- 3 Small Industries Development Bank of India
- 4 The Tamil Nadu Industrial Investment Corporation Ltd.

ANNEXURE II

Credit Guarantee Fund Trust for Micro and Small Enterprises

MLI-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
1	Allahabad Bank	2,524	5,535.70	3,995	9,659.63
2	Andhra Bank	219	959.34	825	2,771.53
3	Aryavart Gramin Bank	87	171.25	87	171.25
4	Assam Gramin Vikash Bank	4	15.92	4	15.92
5	Axis Bank Limited	100	2,795.04	278	6,454.46
6	Bank of Baroda	1,481	10,044.64	2,616	19,761.45
7	Bank of India	9,470	49,423.01	16,031	70,481.09
8	Bank of Maharashtra	1,310	3,807.96	1467	4387.70
9	Baroda Uttar Pradesh Gramin Bank	12	57.36	32	123.30
10	Canara Bank	7,960	22,410.17	29,648	63,811.25
11	Central Bank of India	918	7,312.50	3,556	19,370.94
12	Chaitanya Godavari Grameena Bank	3	5.20	6	22.60
13	Chikmagalur-Kodagu Grameena Bank	1	11.00	24	33.00
14	Corporation Bank	347	2,795.26	1,588	10,416.36
15	Dena Bank	736	2,023.01	2,194	5,885.94
16	Durg Rajnandgaon Gramin Bank	350	361.66	424	479.32
17	Haryana Gramin Bank	8	8.36	8	8.36
18	ICICI Bank Ltd	12	34.43	15	84.43
19	IDBI Bank Ltd	113	2,475.38	405	4,462.60

ANNEXURE II (contd.)

Credit Guarantee Fund Trust for Micro and Small Enterprises

MLI-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
20	Indian Bank	962	2,319.60	3,745	8,150.63
21	Indian Overseas Bank	845	4,217.86	2,898	10,604.22
22	IndusInd Bank Ltd	0	0	3	35.88
23	ING Vysya Bank Ltd	16	431.55	55	1,035.33
24	Jaipur Thar Gramin Bank	63	16.05	63	16.05
25	Karnataka Vikas Grameena Bank	109	296.35	109	296.35
26	Kashi Gomti Samyut Gramin Bank	3	4.57	3	4.57
27	Lucknow Kshetriya Gramin Bank	20	24.00	20	24.00
28	Madhya Bihar Gramin Bank	14	12.90	14	12.90
29	Nainital-Almora Kshetriya Gramin Bank	0	0	2	25.00
30	National Small Industries Corporation Ltd	0	0	175	1,453.66
31	Oriental Bank of Commerce	286	3,086.82	1,049	8,772.49
32	Prathama Bank	100	252.09	100	252.09
33	Punjab & Sind Bank	252	849.04	818	1,963.32
34	Punjab National Bank	6,034	21,368.40	17,414	33,686.47
35	Purvanchal Gramin Bank	167	164.65	174	165.88
36	Shreyas Gramin Bank	0	0	27	8.64
37	Small Industries Development Bank of India	642	12,189.01	1,334	25,697.49
38	South Malabar Gramin Bank	319	303.52	361	387.24
39	State Bank of Bikaner & Jaipur	1,529	1,263.59	3,333	3,604.25

ANNEXURE II (contd.)

Credit Guarantee Fund Trust for Micro and Small Enterprises

MLI-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
40	State Bank of Hyderabad	697	2,682.24	1,058	4,526.57
41	State Bank of India	9,373	32,928.63	31,562	83,231.79
42	State Bank of Indore	52	216.12	215	577.18
43	State Bank of Mysore	203	1,930.07	563	4,844.06
44	State Bank of Patiala	79	900.17	321	1,447.47
45	State Bank of Saurashtra*	4	51	31	127.28
46	State Bank of Travancore	453	1,295.57	3,951	7,335.46
47	Syndicate Bank	1,649	8,317.42	2,660	15,544.89
48	Tamilnad Mercantile Bank Ltd	3	53.8	11	133.93
49	The Bank of Rajasthan Ltd	150	43.27	374	96.66
50	The Federal Bank Ltd	851	2,511.84	1,115	3,039.71
51	The Jammu & Kashmir Bank Ltd	168	79.58	827	378.68
52	The Nainital Bank Ltd	6	102.12	32	248.18
53	UCO Bank	409	1,686.69	3,272	11,198.16
54	Union Bank of India	2,009	6,091.11	5,628	1,6981.50
55	United Bank of India	342	2,760.64	2,786	14,495.07
56	Uttaranchal Gramin Bank	22	145.74	22	145.74
57	Vijaya Bank	222	1,097.17	706	3,484.57
	Total	53,708	2,19,940.37	1,50,034	4,82,434.49

* since merged with State Bank of India

ANNEXURE III

Credit Guarantee Fund Trust for Micro and Small Enterprises

State-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
1	Andaman & Nicobar	61	133.83	93	189.95
2	Andhra Pradesh	1,975	8,079.75	8,789	17,767.50
3	Arunachal Pradesh	46	74.40	206	283.14
4	Assam	1,140	2,986.83	3,935	9,091.42
5	Bihar	1,414	4,190.84	5,099	9,890.23
6	Chandigarh	182	1,105.76	385	2,396.11
7	Chhattisgarh	636	2,179.11	1,834	8,848.39
8	Dadra & Nagar Haveli	10	84.78	30	308.92
9	Daman & Diu	8	201.39	35	490.25
10	Delhi	419	6,456.71	845	10,057.00
11	Goa	419	2,606.04	625	3,561.89
12	Gujarat	3,607	20,369.62	6,294	37,677.32
13	Haryana	682	4,905.92	3,416	10,352.71
14	Himachal Pradesh	844	3,680.01	2,310	6,471.82
15	Jammu & Kashmir	315	579.07	1,548	1,664.16
16	Jharkhand	2,252	8,743.68	4,119	17,358.40
17	Karnataka	4,020	25,125.46	10,953	61,526.31

ANNEXURE III (contd.)

Credit Guarantee Fund Trust for Micro and Small Enterprises

State-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
18	Kerala	6,557	12,530.86	22,053	35,427.71
19	Lakshadweep	2	0.80	2	0.80
20	Madhya Pradesh	2,016	8,329.92	6,416	20,093.92
21	Maharashtra	3,906	26,117.19	6,110	41,879.16
22	Manipur	18	50.47	120	202.09
23	Meghalaya	131	327.33	444	1,167.22
24	Mizoram	53	117.43	351	652.33
25	Nagaland	112	289.35	237	594.63
26	Orissa	3,157	9586	9,534	19,408.30
27	Puducherry	66	471.94	320	1,072.40
28	Punjab	1,137	6,001.63	2,908	11,475.28
29	Rajasthan	3,552	6,861.10	7,651	11,817.88
30	Sikkim	15	38.86	116	302.42
31	Tamilnadu	4,638	22,216.31	16,819	64,699.58
32	Tripura	62	264.90	305	616.79
33	Uttar Pradesh	6,321	15,852.56	16,626	31,207.95
34	Uttaranchal	340	1,655.13	672	3,383.15
35	West Bengal	3,595	17,725.39	8,834	40,497.36
	Total	53,708	2,19,940.37	1,50,034	4,82,434.49

ANNEXURE IV

Credit Guarantee Fund Trust for Micro and Small Enterprises

Sector-wise Guarantees approved during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	MLI	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
1	Basic Metal Industries	145	1,566.27	1,413	8,026.07
2	Beverages, Tobacco, etc.	76	788.13	217	1,451.91
3	Chemicals etc.	179	2,708.02	861	7,447.84
4	Cotton Textiles	809	3,414.16	2,592	8,020.03
5	Electrical Machinery	274	3,412.82	1,292	8,616.02
6	Food Products	1,357	8,209.49	8,370	25,975.15
7	Information Technology	536	1,244.14	1,264	4,026.46
8	Jute Textiles	131	414.52	335	957.34
9	Leather and Fur Products	563	1,897.78	1,683	4,497.53
10	Metal Products	1,232	8,860.52	5,248	27,049.95
11	Non-Electrical Machinery, Tools and Parts	210	2,352.15	556	5,191.12
12	Non-Metallic Products	191	1,940.98	1,370	7,816.12
13	Other Manufacturing	38,744	1,35,201.69	95,683	2,86,454.86
14	Paper and Printing	365	4,081.63	1,886	11,748.89
15	Repairing Services	954	7,659.27	917	587.85
16	Repairing Services except Capital Goods	92	474.47	305	863.90
17	Repairing Services for Capital Goods	53	564.59	358	1,022.62
18	Rubber, Petroleum etc.	104	1,213.71	336	2,766.70
19	Services (Industry Related)	4,765	14,438.21	11,313	25,667.47
20	Software	117	1,373.41	381	3,063.94
21	Textile Products	1,798	14,006.85	7,774	30,107.32
22	Transport Equipment	66	725.90	212	1,697.55
23	Wood Furniture	731	1,906.24	4,421	6,693.24
24	Wool, Silk, etc.	216	1,485.42	1,247	2,684.61
	Total	53,708	2,19,940.37	1,50,034	4,82,434.49

ANNEXURE V

Credit Guarantee Fund Trust for Micro and Small Enterprises

Slab-wise guarantee approvals during FY 2009 and Cumulative as on March 31, 2009

Sl. No.	Range (Rs.)	FY 2009		Cumulative	
		No. of Proposals	Approved Amt (Rs. lakh)	No. of Proposals	Approved Amt (Rs. lakh)
1	Upto 1,00,000	28,518	12,247.30	90,997	37,247.35
2	100,001 to 200,000	7,491	11,733.85	16,501	26,812.40
3	200,001 to 500,000	8,069	29,051.24	19,665	72,872.34
4	5,00,001 to 10,00,000	4,310	34,763.35	10,987	88,136.67
5	10,00,001 to 25,00,000	3,714	64,290.01	9,936	1,75,980.84
6	25,00,001 to 50,00,000	1,477	58,198.81	1,819	71,729.08
7	50,00,001 to 100,00,000	129	9,655.81	129	9,655.81
	Total	53,708	2,19,940.37	150,034	4,82,434.49



"MSMEs play a vital role in employment generation and contribute significantly to promoting balanced and equitable growth in the country. To generate significant employment opportunities through new micro enterprises, the Ministry would emphasise on expansion of the Prime Minister's employment generation programme across the country, with a special focus on rural areas."

- Shri Dinsha J. Patel

Hon'ble Union Minister of State (Independent Charge)

Ministry of Micro, Small and Medium Enterprises





Handholding the MSEs

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 March 31, 2009 and also the Income and Expenditure Account for the year ended on that date annexed thereto;

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

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 2009 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

B. Y. SRINIVASAN
Partner

(MEMBERSHIP NO. 03620)

Place: Mumbai

Date: August 06, 2009

Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

BALANCE SHEET AS ON MARCH 31, 2009

Particulars	Schedules	As on 31.3.2009 (Rs.)	As on 31.3.2008 (Rs.)
SOURCES OF FUNDS			
Corpus Fund	1	17,401,566,250.00	15,840,541,250.00
Reserves & Surplus	2	3,345,742,176.26	1,555,881,749.10
Current Liabilities & Provisions	3	4,349,884,279.18	4,120,869,490.54
Total		25,097,192,705.44	21,517,292,489.64
APPLICATION OF FUNDS			
Fixed Assets			
Computer		885,390.00	
Less Depreciation		29.00	
		885,361.00	7.00
Furniture & Fixture		1.00	
Less Depreciation		1.00	
		0.00	1.00
Electrical Items		83,426.00	
Less Depreciation		32,213.00	
		51,213.00	64,426.00
		936,574.00	64,434.00
Investments	4	20,827,733,116.11	18,966,905,822.50
Current Assets			
Cash in hand		1,171	55.00
Bank Balance	5	9,655,190.24	1,543,175.05
Accrued Income	6	2,262,610,126.00	1,413,895,273.00
Prepaid Expenses	7	12,404.00	6,364.00
Advance FBT		355,502.00	355,502.00
Advance for Expenses		0.00	0.00
Deferred Tax Assets		0.00	0.00
Advance Income tax paid (including TDS)		1,995,888,622.09	1,134,521,864.09
Total		25,097,192,705.44	21,517,292,489.64
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)
Chairman

Place: Mumbai
Date: August 06, 2009

(Madhav Lal)
Vice Chairman

(M.V. Nair)
Member

(O. S. Vinod)
Member Secretary

Credit Guarantee Fund Trust for Micro and Small Enterprises

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

Particulars	Schedules	Amount (Rs.)	Amount (Rs.)
		2008-2009	2007-2008
INCOME			
Interest on Investments		1,789,920,517.61	1,744,203,868.22
Guarantee Fee		246,585,485.15	125,774,942.41
Annual Service Fee		105,582,050.73	66,599,428.61
Miscellaneous Receipts		13,321.52	35,083.00
Penal Interest Income		0.00	60.00
Receipt from MLI's		0.00	5,192,362.00
		2,142,101,375.01	1,941,805,744.24
EXPENDITURE			
Operating and other Administrative Expenses	8	110,757,955.10	122,727,194.77
EXCESS OF INCOME OVER EXPENDITURE		2,031,343,419.91	1,819,078,549.47
Provisions for Guarantee claims		241,482,992.75	1,480,956,000.00
Income before tax for the period		1,789,860,427.16	338,122,549.47
Provisions for Income tax		0.00	-361,500,000.00
Excess of Income over Expenditure carried to the Balance Sheet		1,789,860,427.16	699,622,549.47

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: August 06, 2009

(Madhav Lal)
Vice Chairman

(M.V. Nair)
Member

(O. S. Vinod)
Member Secretary

Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

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

Particulars	As on 31.3.2009 (Rs.)	As on 31.3.2008 (Rs.)
SCHEDULE : 1		
Corpus Fund		
Received from :		
Government of India	13,893,433,000.00	12,672,433,000.00
SIDBI	3,508,133,250.00	3,168,108,250.00
	17,401,566,250.00	15,840,541,250.00
SCHEDULE : 2		
Reserves & Surplus		
Income & Expenditure Account		
Opening Balance	1,555,881,749.10	856,300,454.63
Add: Excess of Income over Expenditure for the current year	1,789,860,427.16	699,622,549.47
Add: Deferred Tax Assets	0.00	0.00
Less: Deferred Tax Assests	0.00	41,255.00
	3,345,742,176.26	1,555,881,749.10
SCHEDULE : 3		
Current Liabilities and Provisions		
Provisions for Guarantee claims made in the previous year	4,093,430,000.00	2,612,474,000.00
Provision for Guarantee Claims	241,482,992.75	1,480,956,000.00
Guarantee Fee Refundable	173,100.00	290,675.61
Provision for Outstanding Liabilities	4,292,194.00	3,954,193.00
Annual Services Fee Received in Excess Refundable	183,392.00	19,847,664.63
Claim outstanding	0.00	21,500.00
Amount Reimbursable To SIDBI	9,074,889.00	1,731,871.00
Sundry Liabilites	0.00	0.00
Unclaimed Liability on A/c of Stale Cheque	847,711.43	668,663.30
Advance ASF	0.00	104,923.00
Provision for FBT	0.00	220,000.00
Provision for Income Tax	0.00	0.00
Insurance Claim received from LIC	400,000.00	600,000.00
	4,349,884,279.18	4,120,869,490.54
SCHEDULE : 4		
Investments		
Investment in Bonds	0.00	0.00
Investment in Fixed Deposits with Banks	20,705,447,925.50	18,748,563,080.75
Investment with LIC under FAS	122,285,190.61	218,342,741.75
	20,827,733,116.11	18,966,905,822.50
SCHEDULE : 5		
Bank Balance		
Current Accounts with:		
IDBI Bank Ltd	9,655,190.24	1,543,175.05
	9,655,190.24	1,543,175.05

Credit Guarantee Fund Trust for Micro and Small Enterprises

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

Particulars	As on 31.3.2009 (Rs.)	As on 31.3.2008 (Rs.)
SCHEDULE : 6		
Accrued Income		
Guarantee Fee	0.00	0.00
Annual Service Fee	0.00	0.00
Interest on Investments less TDS	2,262,610,126.00	1,413,895,273.00
	2,262,610,126.00	1,413,895,273.00
SCHEDULE : 7		
Receivables		
Amount recoverable from other organisations	0.00	6,364.00
Amount recoverable from SIDBI	0.00	0.00
ASF Receivable	0.00	0.00
Prepaid Expenses	12,404.00	0.00
	12,404.00	6,364.00
SCHEDULE : 8		
Operating and Other Administrative Expenses		
Advertisement & Publicity Expenses	12,836,185.00	18,113,434.00
Audit Fee	0.00	97,042.00
Bank Charges	2,927.33	9,251.69
Board Meeting Expenses	12,560.00	37,317.83
Books & periodicals	1,640.00	0.00
Car Hire Charges	140,934.77	84,100.00
Claims Paid	83,817,007.25	71,444,698.00
Conveyance	31,705.00	0.00
Courier/Postage Charges	208,490.00	108,576.00
Depreciation	32,243.00	10,913.00
Insurance Charges	0.00	8,594,753.00
Internal Auditors Fee	0.00	187,300.00
IT service	4,445,386.00	3,629,333.00
Office Expenses	1,310,336.00	2,859,435.52
Printing & Stationery	597,412.00	273,076.76
Professional Fee	910,284.00	0.00
Reimb of Expenditure to Employees		0.00
Books & Periodicals	80,700.00	
Entertainment	76,263.00	
Insurance	49,720.00	
Medical	257,119.00	
Telephone	294,942.00	
Travelling	17,940.00	
Vehicle Maintenance	1,015,502.00	

Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

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

Particulars	As on 31.3.2009 (Rs.)	As on 31.3.2008 (Rs.)
SCHEDULE : 8 (Contd.)		
Rent	6,046,320.00	6,363,780.00
Salaries & Allowances to employees	8,709,939.00	4,203,189.00
Seminar & Meeting Expenses	2,731,700.19	807,817.69
Service Charges paid to SIDBI	2,019,682.00	2,802,172.25
Service Tax on Expenses	1,301,937.23	
Stationery Expenses and Computer Consumables	272,045.00	113,651.50
Telephone Expenses	36,095.00	18,124.38
Training Expenditure	490,197.90	16,000.00
Travelling Expenses	2,323,826.06	2,680,729.65
VAT on Expenses	20,286.00	0.00
ASF Receivable Written Off	0.00	0.00
Web Hosting / ISDN/ LSD Line Charges	0.00	225,912.00
Computer Software	0.00	36,883.00
Miscellaneous Expenses	303,828.00	162,627.50
Paise Adjustment	0.00	-1.00
Prior period adjustment account	-19,637,197.63	-152,922.00
	110,757,955.10	122,727,194.77

Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

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

SCHEDULE: 9

NOTES forming part of ACCOUNTS:

1. Trust has provided Guarantee cover during the year to the tune of Rs.1721.25 crore (previous year Rs.841.48 crore) for the credit facility extended by the MLIs to various micro & small enterprises.
2. Cumulatively as on March 31, 2009, the Trust had received 1263 claim applications from 25 Member Lending Institutions. The Trust had settled 784 eligible claims for Rs.18.77 crore towards first instalment; 73 applications were ineligible within the purview of the Scheme. 397 applications were incomplete as stipulated conditions for claims settlement had not been satisfied as on date of filing claim or additional information of security details / subsidy amount etc. called for had not been received. As on March 31, 2009, 9 applications for Rs.0.38 crore are pending for settlement.
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. There is an un-reconciled item under the head "ASF Refunds due" carried forward from FY 2006. The amount is Rs.193.59 lakhs. As per the information given to us by the management, amounts received against ASF due has been appropriated fully to the credit of ASF Account leaving no balance amount to be refunded excepting a few minor amounts. Thus the amount shown as refundable has arisen out of non-integration of Operational software and the Accounting software. In view of the foregoing the amount under the head "ASF Refunds due" (which is actually not due) has been taken to Revenue head for the Current year as per the Accounting Standard- 5 prescribed by the ICAI. The amount transferred to Revenue head is shown as "Prior period Adjustments". As per the Accounting Standard- 5, Prior period items are income or expenses which arise in the current period as a result of errors or omission in the preparation of the financial statements of one or more prior periods.

Balance Sheet & Statement of Accounts

Credit Guarantee Fund Trust for Micro and Small Enterprises

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

5. Internal Control over the various accounting operations needs to be established.
6. The Trust settles 75% of the claimed amounts in the first instance, leaving 25% of claimed amount to be settled after the prescribed legal procedures are complied with by MLIs. However, only in 3 cases subsequent payment of 25% has been made and in other cases subsequent payment of 25% has not been made so far as the MLIs have not preferred claims confirming that the legal requirements have been complied with making them eligible for the receipt of the subsequent installments.
7. Cash Flow Statement is to be prepared.

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 is calculated on compounding basis on a quarterly/yearly basis as applicable.

3. Investment

Investments have been stated at cost.

Investments relating to RSF Fund have been separately stated in the Balance Sheet.

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 and FY 2008.

5. Contingent Liabilities

During the current FY the policy has been modified and accordingly, the Trust is contingently liable for 85% of the amount in default for credit facility up to Rs. 5.00 lakh, 75% of the amount in default for credit

facility above Rs.5 lakh & upto Rs.50 lakh and Rs.37.50 lakh plus 50% of amount in default above Rs.50 lakh subject to overall ceiling of Rs.62.50 lakh for credit facility above Rs. 50.00 lakh. In respect of women entrepreneurs / Units located in North East Region (inc. Sikkim) (other than credit facility upto Rs.5 lakh to micro enterprises) 80% of the amount in default subject to a maximum of Rs.40 lakh and for credit facility above Rs. 50 lakh, subject to overall ceiling of Rs.65 lakh.

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 based on the Actuarial Valuation of liability of the Trust. The Actuarial evaluation has been done by Shri. P.C.Gupta, Actuary. The provision for claims has been evaluated by the Actuary by evolving Regression Equation between Claims received and Guarantees issued. The particulars are given below:

Particulars	Amount (in Rs.)
Opening balance as on April 01, 2008	409,34,30,000.00
Less : Claims paid during FY 2008-09	8,38,17,007.25
Add : Provision for claims during FY 2008-09	32,53,00,000.00
Closing Balance as on March 31, 2009	433,49,12,992.75

For B.Y. SRINIVASAN & ASSOCIATES
Chartered Accountants

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

On behalf of the Board of Trustees

(R. M. Malla)
Chairman

Place: Mumbai

Date: August 06, 2009

(Madhav Lal)
Vice Chairman

(M.V. Nair)
Member

(O. S. Vinod)
Member Secretary



*A special word of thanks to Ministry of
Micro, Small & Medium Enterprises,
Government of India, SIDBI, RBI, all
Member Lending Institutions and MSE
entrepreneurs for their continuous
support and co-operation in all our
endeavours.*

