

**22<sup>nd</sup>**  
ANNUAL  
REPORT  
2021-22



# Credit Guarantee Fund Trust for Micro and Small Enterprises

(Set up by Ministry of MSME,  
Government of India and SIDBI)

Driven by Passion,



Powered by Trust

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# Letter of Transmittal

Credit Guarantee Fund Trust for Micro and Small Enterprises,  
Swavalamban Bhavan, SIDBI, 1<sup>st</sup> Floor,  
C-11, G Block, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051

10<sup>th</sup> October, 2022

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

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

Dear Sir,

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

1. A copy of audited accounts of the Trust for the financial year ended 31<sup>st</sup> March, 2022, together with Auditor's Report and
2. A copy of the report on the working of Credit Guarantee Fund Trust for Micro and Small Enterprises for the period ended 31<sup>st</sup> March, 2022.

Yours faithfully,

Sd/-  
(Sandeep Varma)  
Chief Executive Officer

Place: Mumbai

# Message from Chairman



## Dear Stakeholders,

It brings me immense pleasure to announce our performance for the FY 2021-22 through our Annual Report.

The past couple of years have been challenging due to the pandemic and navigating this period made us all the more resilient and better prepared for unforeseen circumstances. With resumption of economic activities, ease in lockdown and speedy vaccination drive, the Indian economy grew @ 8.7% in FY 2021-22.

The current operating environment remains challenging owing to geopolitical conflicts, resulting in disruption of supply chains and inflationary pressure. But we continue to be driven by our passion for promoting entrepreneurship, as we strive towards our strategic endeavors consistently. Powered by the trust of millions of aspiring entrepreneurs, we are committed to contribute to the nation by boosting enterprise creation, thus building an environment for job creators as against job seekers.

The omnipresence of the Micro and

Small Enterprises (MSEs) sector makes them backbone of the Indian economy, driving the nation's sustainable development. The vibrancy of the sector is encapsulated in the wide range of products manufactured/ services, for both domestic and global markets, backed by policy support from governments/stakeholders.

In its journey of 22 years, CGTMSE, through Credit Guarantee Scheme (CGS) which serves as a credit enhancement for MSEs, has created significant impact in the MSE space. CGTMSE has four main schemes namely, Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I), Credit Guarantee Fund Scheme for NBFCs (CGS-II), Credit Guarantee Scheme for Subordinate Debt (CGSSD) and Credit Guarantee Scheme for PM SVANidhi (CGS-PMS).

In our endeavor to increase outreach to the underserved segments, CGTMSE introduced Co-Lending Model (CLM) guarantee Scheme for extension of credit jointly by banks and NBFCs.

Extension of guarantee cover to co-lending by banks and NBFCs under Co-Lending Model (CLM) would result in improvement in flow of credit to MSEs thus, driving the economic growth.

CGTMSE is also collaborating with various State Governments to implement Special Credit Guarantee Scheme, backed by near 100% guarantee which will help the lending institutions to enhance credit flow to MSEs and give a push to enterprise creation in these states.

CGTMSE believes that leveraging technology is integral to its aim of providing credit enhancement through CGS to an increasing number of MSEs to enable them to set up and step up the ladder. We have upgraded the software of the platform on which banks transact for filing guarantees, thereby facilitating seamless functioning and improved operational efficiency. This will help MLIs in increasing the flow of collateral-free lending to MSEs.

We are optimistic about the future and look forward to serving MSEs in their growth journey by introducing innovative schemes to support the collateral free lending. Simultaneously, we are also focusing on improving our strategies and capabilities to give wings to the dreams of millions of entrepreneurs and support them in their endeavors.

I would like to express my gratitude to the Board members, all the lenders/MLIs and the CGTMSE team, who stood tall even in the face of adversity. I am also thankful to our stakeholders for believing in our vision, enabling us to continue our eventful and passionate journey towards nation building. Further, I warmly welcome our future associates and stakeholders to create a better tomorrow with us and promote the sustainable development of our country.

Our passion and commitment are paving our way ahead...

**Sivasubramanian Ramann, IA&AS,**  
Chairman, CGTMSE



# Board of Trustees of CGTMSE

(Status as on 1<sup>st</sup> September, 2022)



**Shri Sivasubramanian Ramann** | IAS, Chairman (Ex-Officio)

Chairman & Managing Director  
Small Industries Development Bank of India  
Head Office: 'SIDBI Tower', 15, Ashok Marg, Lucknow - 226 001



**Shri Shailesh Kumar Singh** | I.A.S, Vice Chairman (Ex-Officio)

Additional Secretary and Development Commissioner (MSME)  
Ministry of MSME, Government of India, 'A' Wing, 7<sup>th</sup> Floor,  
Nirman Bhavan, Maulana Azad Road, New Delhi - 110 108



**Shri Atul Kumar Goel** | Member (Ex-Officio)

Chairman, Indian Banks' Association (IBA)  
Managing Director & Chief Executive Officer of Punjab National Bank  
Plot No. 4, Sector - 10, Dwarka New Delhi - 110 075



**Shri Sandeep Varma** | Member Secretary

Chief Executive Officer  
Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)  
1<sup>st</sup> Floor, Swavalamban Bhavan, SIDBI, C-11,  
G-Block, BKC, Bandra (East), Mumbai - 400 051

# MSE Sector: Overview & Growth Prospects

## Economy

After having navigated through various challenges, today India has become the fifth-largest economy. FY 2021-22 started on a positive note with a lower number of Covid-19 cases, followed by the relaxation of pandemic-led restrictions and faster vaccination drives, thus supporting gradual unfolding of economy. With the favourable winds of recovery, the GDP growth in FY 2021-22 was recorded at 8.7% – which is 1.5% higher than the real GDP of FY 2019-20. Further, the Indian economy

picked up pace and recorded a double-digit growth rate of 13.5% in the Q1 FY 2022-23.

However, with a rise in growth rate, the nation also witnessed increase in inflation, the RBI Monetary Policy Committee decided and revised the repo rate by 50 basis points – reaching at 5.4% to curb inflation. This simply meant that the banks would have to pay more interest to borrow money from the RBI. The measure reflected positivity and helped reduce inflation by reducing people's purchasing power along with demand.

## MSE Sector Overview<sup>1</sup>

MSE sector is the pillar for the Government of India in backing the country's growth journey. The sector plays a crucial role in job creation, supporting manufacturing, managing export and global economic development by means of bringing in opportunities. As a path-breaking step to promote ease-of-doing-business for MSMEs in India, the Government launched many schemes. To this end, the MSE sector will fuel the dream of generations and support 'Atmanirbhar Bharat' by empowering vision and acting as the best solution to the change in global economy, geopolitical situation and social circumstances.

The MSMEs are a powerful segment for our nation's industrial development. The Government's focus on MSE's and MSME sector has enabled sustainable development in the country. With initiatives like 'Make in India,' 'Vocal for Local,' and 'Digital India,' the Government is supporting and strengthening the sector. These schemes are designed to support the process of MSE, encourage innovation, ease investment, increase employment opportunities, promote skill development, and construct a feasible ecosystem.



<sup>1</sup> (Source- <https://www.ibef.org/industry/msme-presentation>)





## Growth Drivers



### Government-supporting schemes and policies

-  Policy for Khadi and Village Industries
-  Industrial Policy Resolution
-  Pricing Policy
-  Textile Policy
-  Policy for Development of Handloom Industry, and more


### Ample options and ease in availing credit facilities from the Government and Non-Government financial institutions like:

- SIDBI** - Small Industries Development Bank of India
- NSIC** - National Small Industries Corporation
- NABARD** - National Bank for Agriculture and Rural Development
- SISI's** - Small Industries Service Institutes
- SIDO** - Small Industries Development Organisation
- NIESBUD** - The National Institute for Entrepreneurship and Small Business Development

### Technology upgradation

-  Availability of automated machine that are easy to operate
-  Technological innovation helping to provide jobs for people with low education and skills

### The new orbit

-  Shift from production to service sector

## Covid Impact on MSE Sector<sup>2</sup>

The estimated number of enterprises in India stands at ~63 million and employs ~110 million individuals. The MSE sector has produced 6,000+ products for local and global consumption.

The increase in the number of Covid-19 cases led to nation-wide lockdown and made things difficult. The Covid-19 pandemic impacted the nation and flattened the country's growth curve. As a result, the MSE sector - central to the functionality of India's manufacturing and services sectors - suffered the most. The consumption, industrial production and demand saw a downward slope in FY 2020-21 reflected in the micro effect on the economy.

During Covid-19, the lockdown dragged MSE owners, stakeholders, and employees in an unexpected phase. The sector faced challenges related to wages/salaries, debt repayments, and statutory dues. This further impacted the earnings by

20-50%, leading the sector towards maximum heat up situation due to liquidity crunch.

## Outlook<sup>3</sup>

MSEs play a significant role and hold a majority of business share worldwide, contributing majorly to the nation's economic development. By 2025, India is likely to become a USD 5-trillion economy with the MSMEs being a significant driver of that progress. The overall momentum is backed by adequate resources, fund and schemes introduced by the Government. As per research, MSEs represent 90% of businesses and generate more than 50% employment worldwide. It is estimated that by 2030, 600 million jobs will be needed to cater the growing global workforce which will further support 'Atmanirbhar Bharat'. With reference to these developments, the MSE sector can be said to have unharnessed potential which can be utilised by integrating technology, an increasing awareness, and preparing for welcoming other major developments towards progress.



<sup>2</sup>(Source- <https://timesofindia.indiatimes.com/blogs/ageya/covid-19-affect-on-micro-small-and-medium-enterprises-msmes/>)

<sup>3</sup>(Source- <https://www.ibef.org/industry/msme> | Source- <https://www.worldbank.org/en/topic/sme/finance>)







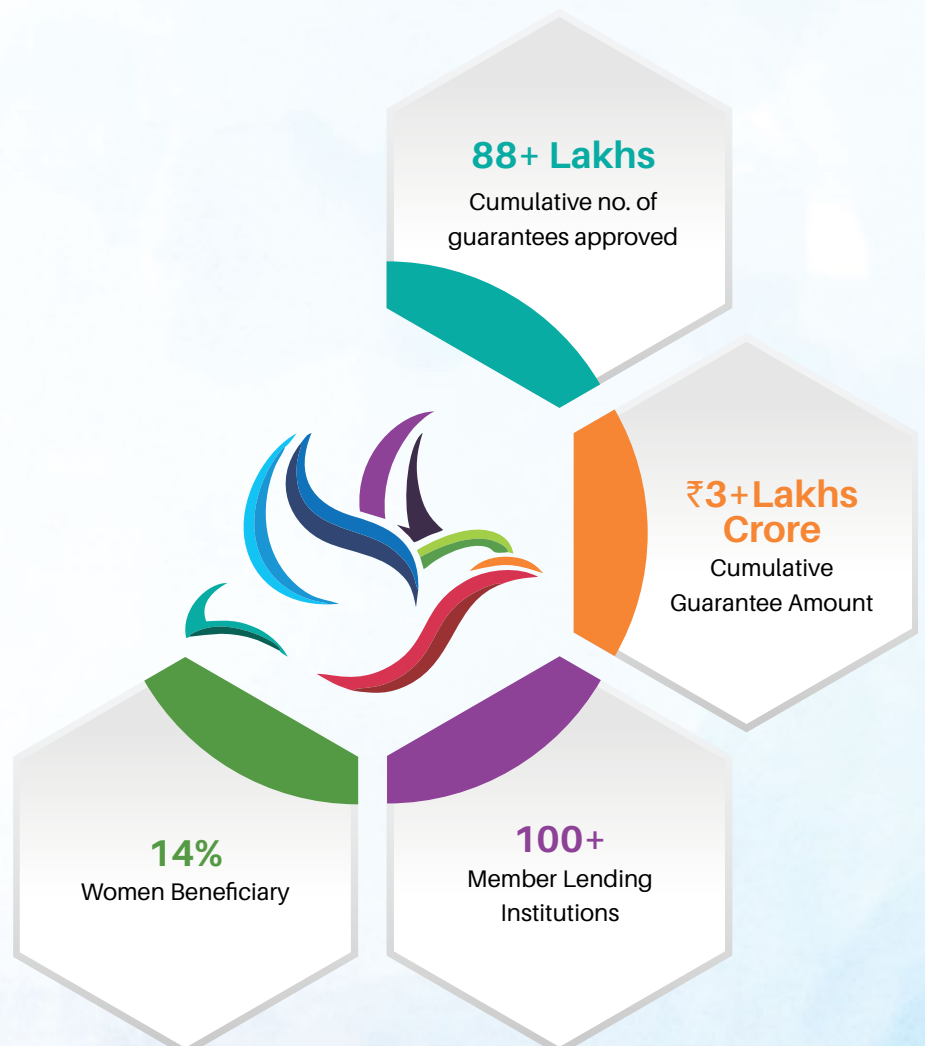
# About CGTMSE

## Giving Wings To Ideas Supporting The Flight Of The Entrepreneur

Set up in 2000, Credit Guarantee Fund Trust for Micro and Small Enterprises ('CGTMSE' or 'We' or 'the Trust') has been instrumental in fulfilling several entrepreneurial dreams and propelling their success. CGTMSE was jointly set up by the Ministry of MSME, Government of India and Small Industries Development Bank of India, and administered by the Board of Trustees. Our journey began with the introduction of one scheme, and through the years, our offerings have expanded to four schemes, thereby giving flight to more dream ventures. Our holistic approach and passion enable us to reach entrepreneurs in unserved and underserved geographies by facilitating their access to finance. We are committed to catering for ideas that propel the nation by becoming a creator of jobs rather than seeking employment.

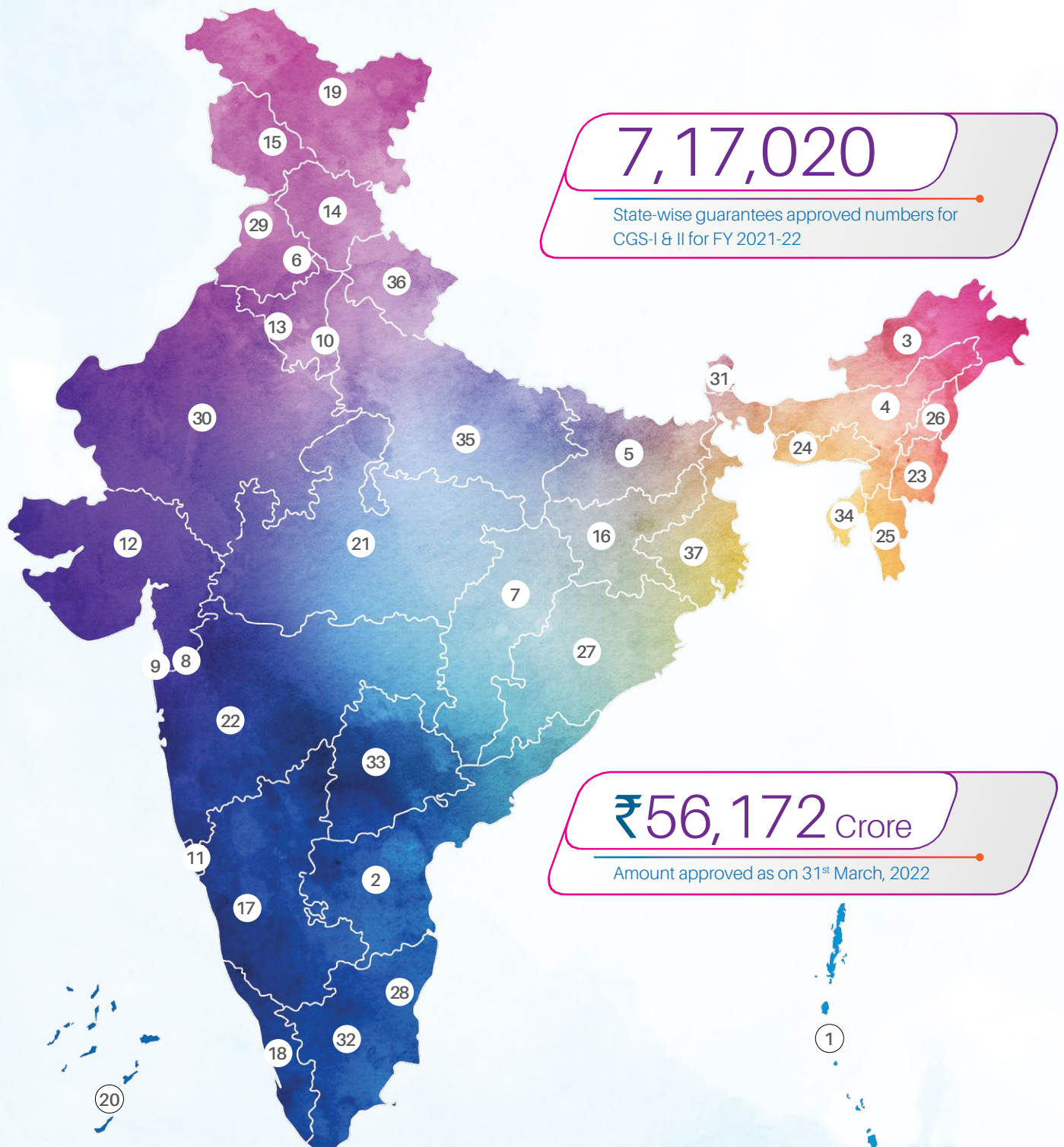
CGTMSE acts as the backbone to banks and several NBFCs, and the propelling wheel for many other MSEs, helping them to commence businesses that lack collateral security and third-party guarantee to access credit from formal [Banks/ NBFCs (non-banking financial company, etc.)]. We play the role of a helping hand to first-generation entrepreneurs and MSEs (Micro and Small Enterprises) by providing guarantees and enabling credit lending for them. A successful blend of our optimism and the

entrepreneurs' resilience results in success and inspiring stories. Thus, contributing toward nation-building by becoming a reflection of hope and echo of kindness through coherent efforts driven by passion and powered by trust.





# Powered by Presence Driven by MLIs



**Disclaimer:** This map is a generalised illustration only for the ease of the reader to understand the locations, and it is not intended to be used for reference purposes. The representation of political boundaries and the names of geographical features/states do not necessarily reflect the actual position. The Company or any of its directors, officers or employees, cannot be held responsible for any misuse or misinterpretation of any information or design thereof. The Company does not warrant or represent any kind of connection to its accuracy or completeness.



## State-wise guarantee coverage for CGS - I &amp; II in FY 2021-22

Sr. No.	States / UTs (Union Territories) (Followed on the Map Mentioned)	No. of Guarantees	Amount Approved (₹ in Crore)
1	ANDAMAN & NICOBAR	374	35
2	ANDHRA PRADESH	49,848	1,456
3	ARUNACHAL PRADESH	628	82
4	ASSAM	14,918	1,262
5	BIHAR	24,217	1,661
6	CHANDIGARH	1,382	159
7	CHHATTISGARH	9,670	776
8	DADRA & NAGAR HAVELI	303	64
9	DAMAN & DIU	144	38
10	DELHI	15,810	2,769
11	GOA	2,218	173
12	GUJARAT	34,929	4,836
13	HARYANA	22,285	2,707
14	HIMACHAL PRADESH	10,075	792
15	JAMMU & KASHMIR	38,352	1,295
16	JHARKHAND	12,953	1,247
17	KARNATAKA	41,028	4,308
18	KERALA	18,937	1,104
19	LADAKH	205	23
20	LAKSHADWEEP	11	1
21	MADHYA PRADESH	64,108	2,651
22	MAHARASHTRA	56,027	6,840
23	MANIPUR	1,294	101
24	MEGHALAYA	886	93
25	MIZORAM	1,029	86
26	NAGALAND	1,692	139
27	ODISHA	25,788	1,801
28	PUDUCHERRY	1,013	74
29	PUNJAB	23,172	1,661
30	RAJASTHAN	38,622	2,553
31	SIKKIM	479	34
32	TAMIL NADU	44,897	4,134
33	TELANGANA	24,009	1,959
34	TRIPURA	2,020	115
35	UTTAR PRADESH	86,616	5,628
36	UTTARAKHAND	10,048	629
37	WEST BENGAL	37,033	2,887
<b>Total</b>		<b>7,17,020</b>	<b>56,172</b>

N.B: Actuals may vary due to intervening cancellations / modifications.



# Enabling Progress through Value-driven Schemes



Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) was jointly set up by Ministry of MSME and Small Industries Development Bank of India (SIDBI) in July 2000.

CGTMSE facilitates access to finance for unserved and underserved geographies, making availability of finance from conventional lenders to new generation entrepreneurs and underprivileged lacking support for their loan proposal with collateral security and / or third-party guarantee. The main objective is that the lender should give importance to project viability and secure the credit facility purely on the primary security of the assets financed. Over the past 22 years, CGTMSE has established itself as an important institution endeavoring to increase the flow of credit to units in Micro & Small Enterprises (MSE) sector. Having initiated our journey with one scheme, we have grown to extend four major schemes, dedicatedly fuelling dreams of several entrepreneurs towards success.



## Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS-I)

The scheme was introduced in July 2000. It is being proactively reformed to meet the requirements of the MSEs and lending institutions. The credit facilities eligible to be covered under the scheme are both fund and non-fund-based facility(ies) up to ₹200 Lakhs per borrower/entity, extended without any collateral security or third-party guarantee, to a new or existing borrower in the MSE. Unsecured portion of the Credit facilities with partial collateral security can be covered under separate product called 'Hybrid Security Model'.



### Credit Guarantee Fund Scheme for NBFCs (CGS-II)

Considering the key role played by NBFCs in the MSE ecosystem, a Credit Guarantee Scheme (CGS-II) was framed specially for NBFCs as a measure towards hassle-free access to credit by MSE sector. The scheme was launched in January 2017 with a purpose of providing guarantees in respect of credit facilities extended by eligible NBFCs to borrowers in Micro and Small Enterprises (MSEs). NBFCs play a crucial role in broadening access to financial services, enhancing competition and diversification in the financial sector.

### Credit Guarantee Scheme for Subordinate Debt (CGSSD)

Distressed Assets Fund under the Subordinate Debt for Stressed MSEs scheme was introduced in June 2020 by the Ministry of MSME. The objective of the scheme is to facilitate loans through banks to the promoters of stressed MSEs for infusion as equity / quasi equity in the business eligible for restructuring as per RBI guidelines. It aims to provide guarantees in respect of credit facilities.



### Credit Guarantee Scheme for PM Svanidhi (CGS-PMS)

A special scheme PM Street Vendor's Atma Nirbhar Nidhi (CGS-PM SVANidhi)' came into force in July 2020, through a collaboration with Ministry of Housing and Urban Affairs (MoHUA), GoI. The scheme was introduced during the Covid-19 pandemic, to support the street vendors who play significant role in serving the society and act as a backbone to the economy. The eligible borrower under this scheme are all street vendors in urban areas. The scheme will help formalize the street vendors and will open up new opportunities to this sector to move up the economic ladder.



# Operational Highlights

## Significant Features

### Micro and Small Enterprises

For MSEs, we provide guarantee coverage up to ₹200 Lakhs (for RRBs and select FIs, guarantee coverage for credit facility up to ₹50 Lakhs is eligible)

### 75-85% Coverage

Coverage ranges from 85% (micro enterprise) to 75%, and 50% of coverage is applicable to retail and wholesale activities

### Eligible Activity

Manufacturing, Services, Retail Trade, Wholesale Trade, Educational / Training Institutions are eligible

### Over 100 registered Member Lending Institutions (MLIs)

#### This includes

- ✦ Public sector banks
- ✦ Private banks
- ✦ Regional rural banks
- ✦ Financial institutions
- ✦ Foreign banks
- ✦ Small finance banks
- ✦ Non-banking finance companies
- ✦ Scheduled urban co-operative banks
- ✦ Non-scheduled urban co-operative banks
- ✦ District-central co-operative banks

## Performance Highlights

₹ 28,083  
Crore

General CGS

NBFC

₹ 13,709  
Crore

₹ 11,214  
Crore

Retail Trade

PM SVANidhi

₹ 1,717  
Crore

₹ 3,165  
Crore

Hybrid Security

CGSSD

₹ 32  
Crore

FY 2021-22  
₹ 57,920  
Crore

# Powered by Performance Driven by Strategies for the Year 2021-22

## Highlights on working of CGTMSE

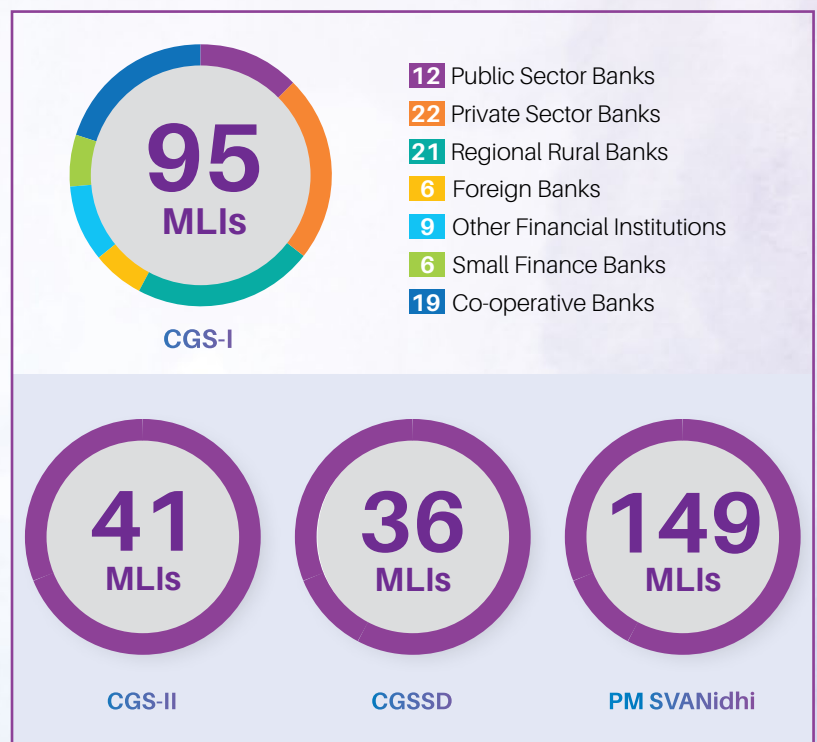
### 1. Corpus Fund of CGTMSE

The initial corpus fund of ₹2,500 Crore of the Trust was contributed by the Government of India (GoI) and Small Industries Development Bank of India (SIDBI) in the ratio of 4:1. The committed corpus of the Trust is now enhanced to ₹7,500 Crore contributed by GoI (₹7,000 Crore) and SIDBI (₹500 Crore). Trust has received the entire enhanced committed corpus from Government of India (GoI) taking the aggregate corpus amount to ₹7,500 Crore.

Additionally, CGTMSE has received ₹15 Crore from the State Government of Tamil Nadu for operating the Tamil Nadu Credit Guarantee Scheme (TNCGS) which will be used by CGTMSE for additional guarantee cover for the MSE units located in the State of Tamil Nadu. Further, CGTMSE has received funds of ₹157 Crore towards Credit Guarantee Scheme for Subordinate Debt from Ministry of Micro, Small and Medium Enterprises, GoI and ₹284 Crore for PM SVANidhi from Ministry of Housing and Urban Affairs, GoI.

### 2. Member Lending Institutions (MLIs)

During the period under review, the number of MLIs of the Trust for CGS-I is 95 where, 12 Public Sector Banks, 22 Private Sector Banks, 21 Regional Rural Banks, 6 Foreign Banks, 9 other Financial Institutions, 6 Small Finance Banks and 19 Co-operative Banks are registered MLIs for availing guarantee cover from the Trust. 41 Non-Banking Financial Companies have been registered as MLIs under CGS-II. Further, 36 Scheduled Commercial Banks have got registered as MLIs of CGTMSE under Credit Guarantee Scheme for Subordinate Debt (CGSSD) and 149 Lending Institutions (LI) have been registered with CGTMSE under PM SVANidhi. Total number of MLIs of CGTMSE as at the end of the FY 2022 was 321 for all the Schemes





### 3. Operations under all Guarantee Schemes

- As at end of 31<sup>st</sup> March, 2022 and after considering the mergers of the banks there were total 275 active MLIs which were availing guarantee cover. There are four Credit Guarantee Schemes (CGS) being operated by CGTMSE viz., CGS-I for Banks and Financial Institutions, CGS-II for NBFCs, Credit Guarantee Scheme for Subordinate Debt (CGSSD) and PM SVANidhi.
- During FY 2021-22, under CGS-I a total of 5,30,808 guarantees were approved for an amount of ₹42,463 Crore as compared to approval of 5,82,543 guarantees for ₹28,714 Crore in the previous year. Cumulatively, as on 31<sup>st</sup> March, 2022, a total of 49,69,863 accounts have been accorded guarantee approvals for ₹2,69,676 Crore.
- During FY 2022, CGTMSE registered 3 new NBFCs. Total number of applications guaranteed under CGS-II during FY 2022 was 1,86,212 for an amount of ₹13,709 Crore. Cumulatively, as on 31<sup>st</sup> March, 2022 a total of 8,89,831 accounts have been accorded guarantee approvals for ₹45,208 Crore under CGS-II.
- During FY 2021-22 guarantee coverage for 298 applications have been approved for an amount of ₹32 Crore under CGSSD and 15,85,550 applications have been covered under PMSVANidhi for ₹1,717 Crore.
- Hence, during FY 2021-22, for all the Schemes, a total of 23,02,868 guarantees were approved for an amount of ₹57,920 Crore. Cumulatively, as on 31<sup>st</sup> March, 2022, a total of 88,93,281 accounts have been accorded guarantee approvals for ₹3,18,123 Crore by CGTMSE under all the guarantee schemes.

### 4. MLI-wise Coverage

- During the period FY 2022, guarantees number of 5,30,808 were approved for ₹42,463 Crore under CGS-I. During the year, following are the top 10 MLIs (Banks) in terms of amount covered under CGS-I:

Sr. No.	MLI	No. of Guarantees	Amount of Guarantees Approved (in ₹ Crore)	% of Guarantee Amount to Total Guarantee Amount Approved under CGS-I
1	HDFC BANK LIMITED	9,540	6,095	14
2	CANARA BANK	41,178	5,295	12
3	BANK OF BARODA	66,321	4,616	11
4	UNION BANK OF INDIA	1,26,721	4,172	10
5	PUNJAB NATIONAL BANK	90,519	4,044	10
6	STATE BANK OF INDIA	19,963	3,928	9
7	AXIS BANK LIMITED	6,840	2,694	6
8	BANK OF INDIA	28,885	1,847	4
9	INDIAN BANK	25,173	1,335	3
10	BANK OF MAHARASHTRA	3,872	1,154	3
<b>TOTAL</b>		<b>4,19,012</b>	<b>35,181</b>	<b>83</b>

NBFCs have taken coverage under CGS-II of CGTMSE for 1,86,212 guarantees for an amount of ₹13,709 Crore. The Top 5 NBFCs during FY 2022 are given below:

Sr. No.	MLI Name	No. of Guarantees	Amount of Guarantees Approved (in ₹ Crore)	% of Guarantee Amount to Total Guarantee Amount Approved under CGS-II
1	TATA MOTORS FINANCE LIMITED	42,194	5,810	42
2	BAJAJ FINANCE LIMITED	81,039	1,856	14
3	ADITYA BIRLA FINANCE LIMITED	12,846	1,744	13
4	FULLERTON INDIA CREDIT COMPANY LIMITED	9,321	1,053	8
5	LENDINGKART FINANCE LIMITED	12,199	781	6
<b>TOTAL</b>		<b>1,57,599</b>	<b>11,244</b>	<b>82</b>

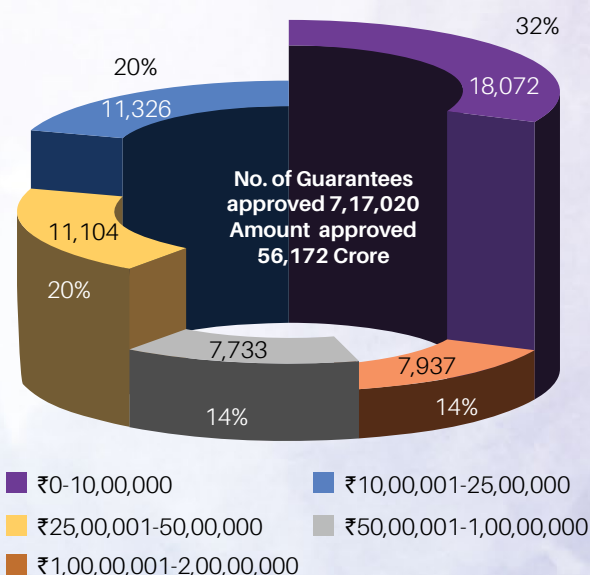
## 5 Footprints of CGTMSE

State-wise analysis of coverage under CGS-I and CGS-II indicates that during FY 2022, following were the top five States:

Sr. No.	STATES / UTs	No. of Guarantees	Amount of Guarantees Approved (in ₹ Crore)	% of Guaranteed Amount to Total Guarantee Amount Approved under CGS
1	MAHARASHTRA	56,027	6,840	12
2	UTTAR PRADESH	86,616	5,628	10
3	GUJARAT	34,929	4,836	9
4	KARNATAKA	41,028	4,308	8
5	TAMIL NADU	44,897	4,134	7
<b>TOTAL</b>		<b>2,63,497</b>	<b>25,745</b>	<b>46</b>

## 6 Slab-wise Coverage for CGS-I & II

Of the 7,17,020 proposals for ₹56,172 Crore approved in FY 2022, proposals for an amount of ₹18,072 Crore (32%) pertained to credit facilities up to ₹10 Lakhs, proposals for an amount of ₹11,326 Crore (20%) are having credit facilities in the range of above ₹10–25 Lakhs, proposals for an amount of ₹11,104 Crore (20%) are in the range of above ₹25–50 Lakhs, proposals for an amount of ₹7,733 Crore (14%) are in the range of above ₹50–100 Lakhs and proposals for an amount of ₹7,937 Crore (14%) are in the range of above ₹100–200 Lakhs.







## 7 Claim Settlement & Closure

During FY 2021-22, 65,784 number of claims were settled for an amount of ₹1,292 Crore. Claims in respect of 33,174 units were settled for an amount of ₹747 Crore towards first instalment of claim under CGS-I and for 32,610 units for an amount of ₹545 Crore under CGS-II during the year. Further, 1764 claims for an amount of ₹37 Crore were settled towards 2<sup>nd</sup> / final installment of claim during the year. Cumulatively till 31<sup>st</sup> March, 2022, CGTMSE has so far settled 3,44,389 number of claims amounting to ₹8,150 Crore. As on 31<sup>st</sup> March, 2022, cumulatively, guarantee claims in respect of 8,470 units amounting to ₹644 Crore of guaranteed amount have been rejected as they were not conforming to CGTMSE guidelines and guarantee claims in respect of 2,273 units amounting to ₹132 Crore of guaranteed amount have been withdrawn by MLIs.

## 8 Post-claim settlement recoveries

During FY 2021-22, the Trust received ₹166 Crore as recoveries from the MLIs after settlement of first claim as against ₹144 Crore received during FY 2020-21. The receipt of recovery is mainly on account of post-claim settlement monitoring mechanism.

## 9 Constant interactions with MLIs

In order to deepen and widen the reach of the Scheme, CGTMSE conducted and attended various workshops / training sessions for the bank officials of its Member Lending Institutions at various levels including Circle Office, Regional Office, Staff Training Centers, etc., to disseminate information on the revamped Credit Guarantee Scheme (CGS) of CGTMSE and also to impress upon the MLI to make use of the special guarantee schemes launched to enable eligible Micro and Small Enterprises to avail the benefit of these schemes. During FY 2022, CGTMSE participated in 59 Seminars / Workshops / Bankers' meet and has conducted 103 Business Development Meetings and made presentations to sensitize bank officials / small enterprises on the various aspects of the Credit Guarantee Scheme.

## 10 Overall impact of CGS operations

CGTMSE's operations had a positive impact on the economy in terms of turnover, exports and employment of credit guaranteed MSEs as given in the Table:

# 59

Seminars / Workshops / Bankers'  
meet in FY 2021-22

PARTICULARS	As on 31 <sup>st</sup> March, 2022	As 31 <sup>st</sup> March, 2021
Cumulative Guarantees approved for all the Schemes (in Numbers)	88,93,281	65,90,413
Loan Amount (extended by MLIs) for all the Schemes (₹Crore)	3,18,122	2,60,202
Estimated turnover of guaranteed units (₹Crore)	71,99,126	45,58,501
Estimated exports by guaranteed units (₹Crore)	24,033	16,541
Estimated employment generation (Nos. Lakhs)	155	132
Number of MLIs for all the Schemes	321	304
Women beneficiary (% to total guarantee amount)	14	14
NER (%)	3	3

N.B.: Actuals may vary due to intervening cancellations / modifications.

## 11 Auditors

M/s. Chhajed & Doshi, Mumbai, a firm of Chartered Accountants, was appointed as internal auditors of CGTMSE, for the FY 2021-22. The Auditors undertook a comprehensive review of the entire systems as also undertook audit covering revenue, expenses, investment, etc. As recommended by the Comptroller and Auditor General of India, the Board appointed M/s. Patel & Deodhar, a firm of Chartered Accountants, as Statutory Auditors of CGTMSE for FY 2021-22.

## 12 Accounts

The Trust earned gross income of ₹2,358 Crore, comprising mainly Guarantee Fee (₹546 Crore) and Annual Guarantee and Service Fee (₹1,014 Crore), Income earned on investments (₹629 Crore) and Recoveries from MLIs & Other Income (₹169 Crore). The Trust incurred an amount of ₹11 Crore towards various operational and administrative expenditure. Yearly provisioning is being made on the basis of actuarial valuation of liability of the Trust since FY 2009. The details of the provision for FY 2021-22 are given below:

PARTICULARS	Amount (₹ Crore)
Opening balance as on 1 <sup>st</sup> April, 2021	5,217
Less: Claim paid during the year	1,227
Add: Provision made during the year	2,322
Closing Balance as on 31 <sup>st</sup> March, 2022	6,312

As on 31<sup>st</sup> March, 2022, the cumulative provision is estimated at ₹6,312 Crore. The excess of income over expenditure (before tax) was ₹25 Crore after provision for claims as per the Actuarial valuation. The size of the corpus fund as on 31<sup>st</sup> March, 2022 stood at ₹7500 Crore. This corpus contributions has been received, and the net income earned by the Trust so far, had been invested in FDs of banks / institutions and MFs. The total fund as on 31<sup>st</sup> March, 2022, stood at ₹15,616 Crore as against ₹14,666 Crore as on the end of the previous year.

~₹8 Lakhs

Average size of loans covered under the scheme in FY 2021-22



## 13 Management & Organization

During FY 2021-22, the Board of Trustees comprised of Chairman & Managing Director of SIDBI as ex-officio Chairman, Additional Secretary & Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises (MSME), Government of India as ex-officio Vice-Chairman, the Chairman, Indian Banks' Association (IBA) as ex-officio Member and Chief Executive Officer of CGTMSE as Member Secretary. During FY 2021-22, two meetings of the Board of Trustees were held. As on 31<sup>st</sup> March, 2022, four officers including the CEO were on deputation with CGTMSE from SIDBI.

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



# Passion Driving Developments

## Significant developments that took place during FY 2021-22

At CGTMSE, we recognize the need of a favorable market scenario in facilitating the journey of aspiring entrepreneurs. Therefore, we have come up with credit guarantee schemes that not only help entrepreneurs to succeed but also contribute towards economic development by creating job opportunities.

Introduced two new schemes:

### Guarantee for Co-Lending by Banks and NBFCs

The purpose of this scheme is to provide guarantees, in respect of credit facilities, extended by eligible banks & NBFCs jointly, to MSEs borrowers under Co-Lending models as prescribed by RBI from time to time. It shall cover eligible credits sanctioned under Co-Lending arrangement by pair of lending institutions to eligible borrowers under the MSE sector.

### Collaboration with State Government for State-specific Guarantees

- ▶ CGTMSE has taken the initiative to collaborate with different State Governments to provide enhanced guarantee coverage of up to 95% to the units located in the respective states, without any additional guarantee fee
- ▶ Inclusion of wholesale trade and educational / training institutions were made eligible for guarantee coverage under the Credit Guarantee Scheme
- ▶ Provided relaxation in eligibility criteria for Small Finance Banks (SFBs) from a minimum paid-up equity capital requirement of ₹100 Crore, to minimum net worth of ₹100 Crore, for reaching more beneficiaries
- ▶ Provided relaxation in the registration criteria of Regional Rural Banks (RRBs), keeping in view heightened need for credit in rural economy; retail trade has been included as an eligible activity for credit facilities for up to ₹50 Lakhs
- ▶ Increased threshold for waiver of legal action, while invoking guarantee up to ₹1 Lakhs per claim, based on aggregate outstanding amount
- ▶ Developed API for issuance of credit guarantees to lending institutions based on disbursement data available on the PM SVANidhi portal
- ▶ Initiated work on technology front by embarking upon an ambitious new, fully-automated 'Guarantee Management System'; aimed at enhancing operations of MLIs, plugging the leakage in obtaining guarantee by the MLIs, and enabling smooth claim settlement, among others
- ▶ Conducted and attended various workshops & training sessions for the bank officials of the MLIs to disseminate information on credit guarantee schemes
- ▶ CGTMSE participated in 59 seminars / workshops / bankers' meet and conducted 103 business development meetings
- ▶ On-boarded 9 new lending institutions under CGS-I, and 2 new NBFCs under CGS-II, as Member Lending Institutions
- ▶ Carried out Impact Assessment Study for CGTMSE Scheme up to FY 2020-21, by engaging external agency for measuring economic impact to better understand the market trends and demands; further helping in reaching out to borrowers more efficiently, making the scheme more impactful in nurturing entrepreneurs' journey
- ▶ Implemented various initiatives to penetrate the digital world, through engagement of digital branding specialists for enriching information dissemination and increasing social awareness about CGTMSE
- ▶ Provided operational flexibility in support of MSEs by allowing lodgement of guarantee application at any time during the tenure of the loan
- ▶ Engaged the services of National Institute of Public Finance and Policy (NIPFP) for data analytics in order to discover patterns and behaviour of the available data of MLIs in a strive for continued fine-tuning and bringing in the policy reforms to largely benefit the MSE borrowers



# Our Journey towards Future Continues...

In the current economic scenario of the nation, the Micro, Small and Medium Enterprises stand among the key growth enablers of the Indian economy. This space, with emerging business, rise in new entrants and developments alongside IT flourishing, is full of opportunities. The sector contributed notably towards employment generation and nation-building. Although limited access to finance remains a key constraint against these growth prospects, but creating opportunities for MSEs in emerging markets acts as effective solution for propelling economic development and reducing poverty. Thus, contributing towards making the sector immune against numerous challenges and making it a thriving space for aspiring entrepreneurs and businesses.

The enhanced emphasis on MSE lending is leveraging numerous advantages to CGTMSE. It is further inducing transformative reforms, enabling expansion of the scope of CGTMSE schemes. Meanwhile, the Trust has also broadened the canvas of eligible borrowers through inclusion of partial collateralized loans and retail trade. We have also increased the number of Member Lending Institutions (MLIs) by allowing lenders like NBFCs, Small Finance Banks, and Co-operative Banks to become our MLIs.

CGTMSE envisions to integrate policy amendments, backed by favourable technology and human resources, to strengthen the various

schemes and its framework. With substantial growth of the Trust, the need to enhance human resource has heightened. In this direction, we shall implement a HR policy framework in near future to complement our organisational goals.

CGTMSE plans to achieve scalability and operate digitally through effective technological means and improved management framework. With a view to improve the operational processes and provide better service to Member Lending Institutions, the Trust is developing end-to-end technology solution by way of Guarantee Management System (GMS) to upgrade CGTMSE's existing technological platform. The system will enhance the operational ease for the MLIs by plugging the leakage in obtaining the credit guarantee coverage, smooth claim settlement, etc. and thus, reducing the efforts of MLIs and improve their comfort level under the various schemes.

The Trust further intends to collaborate with various State Governments to introduce Special Credit Guarantee Scheme. This would promise increased extent of guarantee and increased credit off-take in the MSE sector, mitigating MLI's risk, reducing regional imbalance and generating employment.

In our quest to develop a sustainable business model, we at CGTMSE, have implemented various policy reforms which are aimed at ensuring enhanced flow of collateral / third-party guarantee free credit to MSEs. Eventually, serving national goal of inclusive growth and developing sustainable model for the organisations' success. With these perspectives, we are sanguine that CGTMSE would continue to be a significant enabler in the financial ecosystem to benefit new generation entrepreneurs.



# Key Management Personnel



## Left to Right: Standing

Shri Jigar Shah (Chief Operating Officer)  
Shri Dhiraj Kumar (Assistant General Manager)  
Shri Promod Bakshi (Deputy General Manager)  
Shri Harish Gupta (Chief Officer- IT)

## Sitting

Shri Sandeep Varma (Chief Executive Officer)



# Collaboration with various State Government





# Financial Statements

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# Independent Statutory Auditor's Report for FY 2021-22

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

1. We have audited the attached Financial Statements of Credit Guarantee Fund Trust for Micro and Small Enterprises for year ended 31<sup>st</sup> March, 2022 comprising of Balance Sheet, the Income and Expenditure Account, the Cash Flow Statement and Notes thereon. The financial statements are the responsibility of the Trust's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have 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 from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

3. Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation of these financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the entity in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to

cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

4. Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

5. 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 are maintained, as required by the Trust, so far as it appears from our examination of these books.
- c. The Balance Sheet, Income and Expenditure Account and the Cash Flow Statement dealt with by the report are in agreement with the books of accounts.
- d. In our opinion, the financial statements, read together with the notes thereon, give true and fair view and are in conformity with the accounting principles generally accepted in India, namely
  - i) In the case of Balance Sheet, of the state of affairs of the Trust as at 31<sup>st</sup> March, 2022.

## Independent Statutory Auditor's Report (Contd.)

ii) In the case of Income and Expenditure Account of the excess of income over expenditure of the Trust for the financial year ended on 31<sup>st</sup> March, 2022.

iii) In the case of Cash Flow Statement of the cash flows for the financial year ended on 31<sup>st</sup> March, 2022.

**For Patel and Deodhar**

Chartered Accountants

Firm Registration No. 107644 W

Sd/-

**Deepa M. Bhide**

Partner

ICAI Membership No.49616

**Place:** Mumbai**Date:** 13<sup>th</sup> September, 2022



## Credit Guarantee Fund Trust for Micro and Small Enterprises

# Balance Sheet

as on 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	Schedules	As on 31 <sup>st</sup> March, 2022		As on 31 <sup>st</sup> March, 2021	
<b>Sources of Funds</b>					
Corpus Fund	<b>1</b>		87,98,88,10,283		87,39,94,08,787
General Reserve	<b>2</b>		74,20,662		74,20,662
Current Liabilities & Provisions	<b>3</b>		80,51,65,48,998		67,99,96,81,322
<b>Total</b>			<b>1,68,51,27,79,943</b>		<b>1,55,40,65,10,771</b>
<b>Application of Funds</b>					
<b>Fixed Assets</b>					
Computer & Software		1,46,67,147		3,07,70,623	
Less : Depreciation Reserve		1,16,69,180	29,97,967	2,57,80,225	49,90,398
Furniture & Fixture		10,03,384		9,77,224	
Less : Depreciation Reserve		6,46,260	3,57,124	5,53,651	4,23,573
Motor Car		12,66,029		12,66,029	
Less : Depreciation Reserve		11,67,305	98,724	10,16,964	2,49,065
Electrical Items		8,51,613		9,00,126	
Less : Depreciation Reserve		5,43,744	3,07,869	5,11,354	3,88,772
			<b>37,61,684</b>		<b>60,51,808</b>
<b>Investments</b>	<b>4</b>		1,62,09,74,72,371		1,51,97,39,84,801
<b>Current Assets</b>					
Cash in hand			795		4,552
Bank Balance	<b>5</b>		2,67,54,57,706		72,36,79,780
Receivable	<b>6</b>		15,78,70,446		16,03,62,292
Amount Recoverable from Tax Authority	<b>7</b>		3,57,82,16,941		2,54,24,27,538
<b>Total</b>			<b>1,68,51,27,79,943</b>		<b>1,55,40,65,10,771</b>
<b>Notes forming parts of Accounts</b>	<b>9</b>		-		-

AS PER OUR REPORT OF EVEN DATE

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

**For Patel & Deodhar**  
**Chartered Accountants**  
ICAI Firm Reg. No. 107644 W

**On behalf of the Board of Trustees**

**Sd/-**  
**(Deepa M Bhide)**  
Partner  
ICAI M. No. 49616

**Sd/-**  
**(Sandeep Varma)**  
Member Secretary

**Sd/-**  
**(Sivasubramanian Ramann, IA&AS)**  
Chairman

**Place:** New Delhi  
**Date:** 13<sup>th</sup> September, 2022

**Credit Guarantee Fund Trust for Micro and Small Enterprises**  
**Income and Expenditure Account**  
for the year ended 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	Schedules	Current Year	Previous Year
<b>INCOME</b>			
Interest on Fixed Deposits		6,24,16,42,252	7,15,01,83,820
Income from Mutual Funds		5,26,67,893	7,68,75,815
Guarantee Fees		5,45,51,06,838	5,65,64,33,557
Annual Guarantee/Service Fees		10,14,41,35,026	7,33,33,62,470
Miscellaneous Income		2,84,57,296	4,63,805
Recoveries by MLI's on Claim Paid Account		1,66,15,10,474	1,43,76,87,147
Interest on Income Tax Refund		-	8,75,88,041
		<b>23,58,35,19,779</b>	<b>21,74,25,94,655</b>
<b>EXPENDITURE</b>			
Operating and Other Administrative Expenses	8	10,90,86,290	9,57,02,303
Provisions for Guarantee Claims		23,21,90,00,000	20,73,04,00,000
Bank Charges		8,607	12,647
Depreciation		27,23,386	26,76,636
		<b>23,33,08,18,283</b>	<b>20,82,87,91,586</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>25,27,01,496</b>	<b>91,38,03,069</b>
Add / (Less) : Prior Period Items		-	-
<b>Surplus Before Tax</b>		<b>25,27,01,496</b>	<b>91,38,03,069</b>
Add:- Income Tax Provision W/Back		33,67,00,000	-
Less: Provisions for Income tax		-	(33,67,00,000)
<b>Surplus After Tax</b>		<b>58,94,01,496</b>	<b>57,71,03,069</b>
Less: Transfer to General Reserve		-	-
<b>Surplus of Income Over Expenditure Carried to Corpus Fund</b>		<b>58,94,01,496</b>	<b>57,71,03,069</b>
<b>Notes forming parts of Accounts</b>	<b>9</b>		

AS PER OUR REPORT OF EVEN DATE

THE ABOVE INCOME & EXPENDITURE A/C TOGETHER WITH SCHEDULES ANNEXED  
THERE TO IS HEREBY AUTHENTICATED BY US.

**For Patel & Deodhar**  
**Chartered Accountants**  
ICAI Firm Reg. No. 107644 W

On behalf of the Board of Trustees

**Sd/-**  
**(Deepa M Bhide)**  
Partner  
ICAI M. No. 49616

**Sd/-**  
**(Sandeep Varma)**  
Member Secretary

**Sd/-**  
**(Sivasubramanian Ramann, IA&AS)**  
Chairman

**Place:** New Delhi  
**Date:** 13<sup>th</sup> September, 2022



## Credit Guarantee Fund Trust for Micro and Small Enterprises

# Cash Flow Statement

for the year ended 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	31 <sup>st</sup> March, 2022		31 <sup>st</sup> March, 2021	
<b>Cash flow from Operating Activities</b>				
Excess of Income over expenditure, before tax as per Income and Expenditure Statement		25,27,01,496		91,38,03,069
Add: Depreciation debited to Income and Expenditure A/c	27,23,386		26,76,636	
Add: Income Tax Provision W/Back	33,67,00,000			
Provision on guarantee claims debited to Income and Expenditure A/c	23,21,90,00,000		20,73,04,00,000	
Less: Interest on fixed deposits	(6,24,16,42,252)		(7,15,01,83,820)	
Less: Interest on income tax refund	-		(8,75,88,041)	
Less: Income from mutual fund	(5,26,67,893)		(7,68,75,815)	
		<b>17,26,41,13,241</b>		<b>13,41,84,28,960</b>
Cash flow before changes in working capital		<b>17,51,68,14,737</b>		<b>14,33,22,32,029</b>
<b>Changes in working capital</b>				
(Increase) / decline in receivable	24,91,846		6,82,258	
(Increase) / decline in amount recoverable from tax authorities	(33,80,38,556)		1,27,10,60,083	
Increase / (decline) in current liabilities	1,57,17,58,418		4,42,20,08,881	
		<b>1,23,62,11,708</b>		<b>5,69,37,51,222</b>
Changes in cash flow after changes in working capital		<b>18,75,30,26,445</b>		<b>20,02,59,83,251</b>
Less: Claims paid during the year	(12,27,38,90,742)		(7,03,30,14,707)	
Advance tax paid	(69,77,50,847)		(53,78,12,893)	
		<b>(12,97,16,41,589)</b>		<b>(7,57,08,27,600)</b>
<b>Net Cash Flow Generated / (Used) From Operating Activities (A)</b>		<b>5,78,13,84,856</b>		<b>12,45,51,55,651</b>
<b>Cash flow from Investing Activities</b>				
(Acquisition) / disposals of fixed assets during the year	(4,33,262)		(9,23,266)	
Addition to investments during the year	(10,12,34,87,570)		(19,53,06,09,976)	
<b>Net Cash Flow Used In Investing Activities (B)</b>		<b>(10,12,39,20,832)</b>		<b>(19,53,15,33,242)</b>
<b>Cash flow from Financing Activities</b>				
Interest income on Mutual Funds	5,26,67,893		7,68,75,815	
Interest on income tax refund	-		8,75,88,041	
Interest income on investments	6,24,16,42,252		7,15,01,83,820	
<b>Net Cash Flow Generated From Financing Activities (C)</b>		<b>6,29,43,10,145</b>		<b>7,31,46,47,676</b>
<b>Net Increase Cash Flow During The Year (A) + (B) + (C)</b>		<b>1,95,17,74,169</b>		<b>23,82,70,085</b>

## Cash Flow Statement (Contd.)

Amount (₹)

Particulars		31 <sup>st</sup> March, 2022		31 <sup>st</sup> March, 2021	
Opening balance of Cash and Cash Equivalents			72,36,84,332		48,54,14,247
<b>Closing balance of Cash and Cash Equivalents</b>			<b>2,67,54,58,501</b>		<b>72,36,84,332</b>
Notes:					
1	Cash and Cash Equivalents includes cash and bank balance				
2	Figures in brackets indicate cash outflow				
3	The Cash and Cash Equivalents as at 31 <sup>st</sup> March, 2022 comprise		<b>31<sup>st</sup> March, 2022</b>		<b>31<sup>st</sup> March, 2021</b>
	Cash		795		4,552
	Bank balance		2,67,54,57,706		72,36,79,780
	<b>Total</b>		<b>2,67,54,58,501</b>		<b>72,36,84,332</b>
4	Figures of the previous year have been regrouped, wherever necessary.				

**For Patel & Deodhar**  
Chartered Accountants  
ICAI Firm Reg. No. 107644 W

On behalf of the Board of Trustees

Sd/-  
(Deepa M Bhide)  
Partner  
ICAI M. No. 49616

Sd/-  
(Sandeep Varma)  
Member Secretary

Sd/-  
(Sivasubramanian Ramann, IA&AS)  
Chairman

**Place:** New Delhi  
**Date:** 13<sup>th</sup> September, 2022



## Credit Guarantee Fund Trust for Micro and Small Enterprises

# Schedules forming part of the Balance Sheet

as on 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	As on 31 <sup>st</sup> March, 2022	As on 31 <sup>st</sup> March, 2021
<b>Schedule : 1</b>		
<b>Corpus Fund</b>		
Received from :		
Government of India	70,00,00,33,000	70,00,00,33,000
SIDBI	5,00,00,00,000	5,00,00,00,000
(Including the Corpus of ₹25,00,00,000/- & ₹7,77,50,000/- for RSF - 1 & 2 respectively)		
(a)	<b>75,00,00,33,000</b>	<b>75,00,00,33,000</b>
Surplus of Income over expenditure		
Balance B/F	12,39,93,75,787	11,82,22,72,718
Add: Surplus of Current year	58,94,01,496	57,71,03,069
(b)	<b>12,98,87,77,283</b>	<b>12,39,93,75,787</b>
(a + b)	<b>87,98,88,10,283</b>	<b>87,39,94,08,787</b>
<b>Schedule : 2</b>		
<b>General Reserve</b>		
<b>Balance B/F</b>	74,20,662	74,20,662
Add: Transfer from Income and Expenditure A/c		-
	<b>74,20,662</b>	<b>74,20,662</b>
<b>Schedule : 3</b>		
<b>Current Liabilities and Provisions</b>		
Provision Towards Guarantee Claims (also see Note no 6 in Schedule 9)	63,11,63,00,405	52,17,11,91,147
Fund from Ministry of Housing and Urban Affairs, GoI Towards "PM SVANidhi"	61,23,84,503	63,68,84,944
TDS Payable Ministry of Housing and Urban Affairs, GoI Towards "PM SVANidhi"	21,81,907	9,63,644
Fund from Ministry of MSME, GoI, Towards "CGSSD"	1,63,47,68,866	1,57,41,00,000
TDS Payable Ministry of MSME, GoI, Towards "CGSSD"	67,00,379	-
Fund from Tamil-Nadu State Govt. Towards "TNCGS"	15,00,17,500	-
Advance Received Towards GF & ASF from D C (Handicraft & Handloom), GOI	22,99,875	22,99,875
GST Payable	1,76,59,01,770	1,59,13,85,707
TDS Payable	18,71,488	17,17,878
Professional Tax Payable	2,400	2,200
Outstanding Liabilities Towards Expenses	1,80,61,306	1,74,46,127
Guarantee Claim Payable	3,48,550	3,48,550
Advance Received Annual Guarantee Renewal Fees	9,44,73,74,359	9,52,15,98,024
Advance Received Towards Guarantee Fees	3,69,99,99,341	2,46,34,49,029
Guarantee Fees Refundable	1,78,09,638	64,25,823
Annual Service / Guarantee Fees Refundable	3,82,77,479	32,20,084
GF Appropriation Account	8,09,914	8,09,913
ASF Appropriation Account	6,39,318	60,34,377
EMD for Contracts	8,00,000	18,04,000
	<b>80,51,65,48,998</b>	<b>67,99,96,81,322</b>
<b>Schedule : 4</b>		
<b>Investments</b>		
1) Investment in Fixed Deposits with Banks [including Interest Accrued there on]		
i) Investment of D C (Handicraft & Handloom), GOI Advance	22,87,842	22,89,450
ii) Investment of the MoHUA Fund (PM SVANidhi), GOI	60,74,06,751	63,68,84,944
iii) Investment of Ministry of MSME Fund, (CGSSD), GOI	1,63,47,68,866	1,57,54,52,169
iv) Investment of Tamilnadu State Govt Fund, (TNCGS)	15,00,17,500	-
v) Investment of Corpus & Other Funds	1,58,65,70,91,412	1,47,11,20,48,238
2) Investment In Mutual funds [Market value of investments in Mutual Funds: ₹104,91,67,699/- Previous Year ₹2,64,99,06,108/-]	1,04,59,00,000	2,64,73,10,000
	<b>1,62,09,74,72,371</b>	<b>1,51,97,39,84,801</b>

**Credit Guarantee Fund Trust for Micro and Small Enterprises**  
**Schedules forming part of the Balance Sheet**  
as on 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	As on 31 <sup>st</sup> March, 2022	As on 31 <sup>st</sup> March, 2021
<b>Schedule : 5</b>		
<b>Bank Balance</b>		
Accounts with:		
IDBI Bank Ltd.,	25,71,004	4,00,25,340
IDBI Bank Ltd., - D C (Handicraft ), GOI,	54,918	24,873
IDBI Bank Ltd., - D C (Handloom ), GOI,	3	3
Union Bank of India	47,45,88,084	68,23,13,066
State Bank of India	3,36,046	13,16,498
ICICI Bank (Saving A/c)	2,19,79,07,651	-
	<b>2,67,54,57,706</b>	<b>72,36,79,780</b>
<b>Schedule : 6</b>		
<b>Receivables</b>		
Prepaid Expenses	1,23,150	1,87,500
Fee Receivable	79,925	55,278
Input Tax Credit	20,65,039	44,87,137
Service Tax (EC/SHCE)	31,36,145	31,36,145
Service Tax Recoverable	15,24,66,187	15,24,96,232
	<b>15,78,70,446</b>	<b>16,03,62,292</b>
<b>Schedule : 7</b>		
<b>Amount Recoverable from Tax Authority</b>		
Income Tax refundable 31 <sup>st</sup> March, 2010	39,86,08,031	39,86,08,031
Income Tax refundable 31 <sup>st</sup> March, 2011	12,13,84,436	12,13,84,436
Income Tax refundable 31 <sup>st</sup> March, 2012	1,38,88,000	1,38,88,000
Income Tax refundable 31 <sup>st</sup> March, 2013	13,25,69,729	13,25,69,729
Income Tax refundable 31 <sup>st</sup> March, 2015	43,95,61,396	43,95,61,396
Income Tax refundable 31 <sup>st</sup> March, 2017	32,39,09,904	32,39,09,904
Income Tax refundable 31 <sup>st</sup> March, 2018	2,16,46,095	2,16,46,094
Income Tax refundable 31 <sup>st</sup> March, 2020	82,99,86,159	82,99,86,159
Income Tax refundable 31 <sup>st</sup> March, 2021	53,78,12,893	53,78,12,893
Income Tax refundable 31 <sup>st</sup> March, 2022	69,77,50,847	-
Pre-Deposit against Service Tax Demand	6,10,99,451	5,97,60,896
(a)	<b>3,57,82,16,941</b>	<b>2,87,91,27,538</b>
Provision for Income Tax FY 2020-21	(b)	(33,67,00,000)
<b>Amount Recoverable from Tax Authority</b>	(a) - (b)	<b>2,54,24,27,538</b>



**Credit Guarantee Fund Trust for Micro and Small Enterprises**  
**Schedules forming part of Income and Expenditure Account**  
as on 31<sup>st</sup> March, 2022

Amount (₹)		
Particulars	Current Year	Previous Year
<b>Schedule : 8</b>		
<b>Operating and Other Administrative Expenses</b>		
Advertisement & Publicity Expenses	6,08,226	4,81,037
Advocate Fees	-	75,000
Auditors' Remuneration	3,65,000	3,35,000
Conveyance Expenses	33,213	1,74,039
Courier/Postage Charges	6,773	19,795
Insurance Charges	90,792	75,076
Internal Auditors Remuneration	2,90,000	2,80,000
IT service	4,29,48,925	3,23,28,116
Miscellaneous Expenses	4,98,861	4,32,942
Office Expenses	11,57,128	8,28,080
Office Rent	1,00,21,881	81,39,210
Personnel Cost & Expenses	4,58,98,611	4,43,96,058
Printing & Stationery	4,73,244	1,71,469
Professional Fee	64,97,799	77,27,500
Telephone Expenses	39,559	22,310
Training Expenditure	82,980	-
Travelling Expenses	73,298	2,16,671
	<b>10,90,86,290</b>	<b>9,57,02,303</b>

**Credit Guarantee Fund Trust for Micro and Small Enterprises**  
**Grouping forming part of Income & Expenditure**  
for the year ended 31<sup>st</sup> March, 2022

Amount (₹)

Particulars	As on 31 <sup>st</sup> March, 2022	As on 31 <sup>st</sup> March, 2021
<b>List 1: Personnel Expenses</b>		
Salaries & Allowances to Employees (SIDBI)	1,86,25,876	1,75,28,182
Salaries & Allowances to Contract Staff	2,61,95,570	2,55,22,107
Coupon Expenses (Sodexo)	10,77,165	13,45,769
	<b>4,58,98,611</b>	<b>4,43,96,058</b>
<b>List 2: Miscellaneous Expenses</b>		
Repair & Maintenance	55,804	63,754
Write-Off / Loss on Sale of Fixed Asset	8,929	36,312
Staff Welfare	2,84,623	97,795
Miscellaneous Exp	1,49,505	2,35,081
	<b>4,98,861</b>	<b>4,32,942</b>
<b>List 3: Printing &amp; Stationery</b>		
Printing Expenses	3,23,500	-
Stationery & Computer Consumables	1,49,744	1,71,469
	<b>4,73,244</b>	<b>1,71,469</b>
<b>List 4: Miscellaneous Income</b>		
Miscellaneous Receipts	58,531	25,926
Tender & Search Fee	48,765	42,279
Penal Interest	-	3,95,600
Management Fee	2,83,50,000	-
	<b>2,84,57,296</b>	<b>4,63,805</b>
<b>List 5: Outstanding Liabilities Towards Expenses</b>		
Chetan T Shah & Co.		1,35,000
Adaequare Info Pvt Ltd		6,726
Globalcom IDC Ltd	3,82,557	10,79,286
Jain Tripathi & Co.		3,01,500
Khandelwal Jain & Co.		4,05,000
Kochar & Associates		63,000
K.S. Sangvhi & Co.	4,500	4,500
Sai Cuisine Hospitality Services Pvt Ltd.		8,652
Path Infotech Ltd.	65,11,955	35,32,110
Reliance Communications Ltd.	4,21,200	3,05,410
SIDBI	52,51,219	23,31,576
T&M Service Consulting Pvt Ltd.	10,16,708	8,02,994
Dynacons System & Soluation	60,727	60,727
Astute System Pvt Ltd		82,058
ESDS Software Solution Pvt Ltd		2,00,172
Tata Commincation Limited	31,53,621	77,17,016
Tata Tel Service Ltd		4,10,400
Chhajed & Doshi	65,250	
JNR Management Resource Pvt Ltd	24,030	
Kirti Stationery & Printers	20,584	
Kyocera Documents	25,704	
National Institute	5,796	
Power Cartridge Pvt Ltd	3,480	
SGN & Co.	2,17,800	
Professional Couriers	6,166	
3i Infotech	5,61,509	
Patel & Deodhar	3,28,500	-
	<b>1,80,61,306</b>	<b>1,74,46,127</b>



# Schedule Forming Part of the Balance Sheet and Income and Expenditure Account

## Schedule: 9: - NOTES ON ACCOUNTS:

### 1. Significant Accounting Policies

#### a) Accounting Conventions

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

#### b) Recognition of Income and Expenditure

The Trust follows mercantile basis of accounting, unless otherwise mentioned. The income recognition of major sources of income of the Trust are as under:

##### Guarantee Fee

Income from Guarantee Fee is recognized when the payment from the respective Member Lending Institutions is received / credited in the Bank Account on proportionate basis. Guarantee Fee received is allocated on proportionate basis towards income for the year and income received in advance considering period of Guarantee cover.

##### Interest Income on Fixed Deposits

Interest income on Fixed Deposits is recognized on accrual basis.

##### Recoveries from MLIs on claim paid

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

##### Income from Mutual Fund

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

#### c) Fixed Assets

Fixed Assets have been recognized in the financial statements at cost. Cost includes the cost of purchase, freight, transportation and all other costs incurred to bring the asset to its present location and condition. Depreciation is charged on the Fixed Assets as per the Straight-Line Method based on the basis of estimated useful lives as prescribed under the Companies Act, 2013.

#### d) Investments

Investments of the Trust comprise investments in Fixed Deposits with Banks / Financial Institutions and Investments in Mutual Funds. Investments in mutual funds are stated at weighted average cost less impairment, if any, during the year or market value, whichever is lower. Investments in Fixed Deposits have been stated at cost along with accrued interest thereon. Investments in Fixed Deposits with Banks relating to fund received from the offices of DC (Handloom), DC (Handicraft), PM Svanidhi Fund received from Ministry of Housing and Urban Affairs, Gol, CGSSD Scheme Fund from Ministry of MSME, Gol and Tamil Nadu Credit Guarantee Scheme Fund from State of Tamil Nadu Government have been identified and stated as such in the Balance Sheet. Refer Schedule 4.

#### e) Retirement Benefits

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

### 2.

(₹ in Crores)

Particulars	As on 31 <sup>st</sup> March, 2022	As on 31 <sup>st</sup> March, 2021
Guarantee approval	3,14,883	2,58,764
Guarantee issued	2,74,838	2,30,520
Guarantee sanctioned, pending execution	40,045	28,244
Outstanding Guarantee	1,24,618	1,09,955
Overall Liability of CGTMSE out of O/s Guarantee	88,979	78,924
Liability of CGTMSE towards first claim Instalment	66,734	59,193

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

# Schedule

## Forming Part of the Balance Sheet and Income and Expenditure Account

3. The Trust pays 75% of the settled claim amount in the first instance, leaving balance amount to be paid after the conclusion of recovery proceedings. In 1,107 Cases (PY 1,764 cases), subsequent payment of 25% has been made. However, in other cases, the MLIs are yet to report status of conclusion of recovery proceedings which makes them eligible for the receipt of the balance claim. Further vide circular no.138/2017-18, the trust has introduced a cap on total claim settlement (i.e. settlement of 1<sup>st</sup> & 2<sup>nd</sup> instalments of claim), based on fee and recovery remitted by the MLI. Claims of the respective MLI are settled to the extent of 2 times of the total of fees received and recovery remitted during the previous financial year.

4. **Auditor's Remuneration ₹ 3,65,000/- (P.Y. ₹ 3,35,000/-). The fees are exclusive of taxes.**

Amount (₹)

Particulars	Current Year	Previous Year
Audit Fees	3,00,000	2,75,000
Tax Audit Fees	65,000	60,000
<b>Total</b>	<b>3,65,000</b>	<b>3,35,000</b>

## 5. Taxation

### 5.1 Direct Taxation

The Trust was notified u/s. 10(23EB) of the Income Tax Act, 1961 ("the Act") by Finance Act 2002 w.e.f. 1<sup>st</sup> April, 2002 and accordingly the income of the Trust was exempt u/s. 10(23EB) of the Act for a period of five years commencing from Assessment Year (A.Y.) 2002-03 to FY 2006-07.

The Trust was registered u/s 12A of the Income Tax Act 1961 and accordingly it had claimed exemption u/s 11 of the Act for A.Y. 2007-08 and A.Y. 2008-09. The Finance Act, 2008 amended section 2(15) with effect from 1<sup>st</sup> April, 2008 i.e. A.Y. 2009-2010. Accordingly, the Trust had not claimed the benefit of section 11 from A.Y. 2009-2010 onwards. However, the trust has made claim of deduction of 15% u/s 11(1)(a) of the Act during the assessment proceedings.

The Director of Income Tax (Exemptions) – [DIT (E)] had vide order dated 7<sup>th</sup> December, 2011 held that the activities carried out by the assessee trust are in the nature of trade, commerce or business and referring to the amended provisions of section 2(15) of the Act, cancelled the registration granted u/s 12A to the Trust with effect from A.Y 2009-10. The Trust had preferred an appeal against this order before the Income Tax Appellant Tribunal

(ITAT) which got decided in favour of the Trust vide order dated 28<sup>th</sup> May, 2014 and registration of the Trust u/s 12A of IT Act was restored. Against the said order of ITAT, the department had filed a petition before the High Court of Judicature at Bombay which was dismissed vide order dated 2<sup>nd</sup> August, 2017. Thus, the Registration of the trust u/s 12A/12AA is continuing. Order giving effect to ITAT order dated 28<sup>th</sup> May, 2014 was passed by the office of CIT (Exemption) vide order dated 9<sup>th</sup> March, 2021.

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

- a) While concluding the assessment proceedings for the A.Y. 2009-10, the assessing officer (A.O.) passed the order u/s 143(3) wherein he disallowed the claim of deduction of 15% u/s 11(1)(a) of the Act made during the assessment proceedings. Against the said order, the Trust has filed an appeal before CIT(A) and the same is pending for disposal. No demand is outstanding for this year.
- b) While concluding the assessment proceedings for the A.Y. 2010-11, the assessing officer had made an addition of ₹94,38,84,008/- and ₹154,61,77,037/-, being the amount accumulated under section 11(2) during AY 2007-08 and AY 2008-09, respectively and also made an addition of ₹166,41,00,000/- being contributions received towards Corpus from the Settlers of the Trust namely, Ministry of MSME, Government of India (GoI) and Small Industries Development Bank of India (SIDBI) during the year on the reasoning that as the registration u/s.12A of the Trust was withdrawn by the DIT(E), Mumbai w.e.f. A.Y.2009-10, the Trust is not eligible for any benefit of section 11 of the Act. Against the said additions, the Trust had filed an appeal before Commissioner of Income Tax (Appeals) who upheld the order of the AO vide order dated 28<sup>th</sup> July, 2014. However, the Hon'ble ITAT vide order dated 20<sup>th</sup> January, 2017 has allowed the claim of the trust for exemption under section 11 & 12 of the Act. The Hon'ble ITAT has also held that as the claim of assessee for benefits of sections 11 & 12 of the Act is upheld, the assessee also succeeds on the issue of addition of

## Schedule

### Forming Part of the Balance Sheet and Income and Expenditure Account

contribution made by settlors towards the corpus. Against the said ITAT's Order, the department has filed the petition before the High Court of Judicature at Bombay which is pending for disposal. Subsequently, the order dated 25<sup>th</sup> July, 2017 giving effect to the order of the ITAT has been received on 9<sup>th</sup> August, 2017. The trust has received refund of ₹16,73,47,440/- vide Demand Draft dated 11<sup>th</sup> April, 2018 after adjustment of certain demands for other year. The Trust has filed letter dated 13<sup>th</sup> February, 2019 for issue of balance refund along with interest u/s.244A of the Act and is being followed up.

- c) While concluding the assessment proceedings for the A.Y. 2011-12, the assessing officer in the order passed u/s 143(3) of the Act made an addition of ₹250,00,00,000/- being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24) (iia) of the Act and thereby raising a demand of ₹102,96,29,110/-. Against the said addition, the Trust had filed an appeal before CIT(A) which was dismissed following the order of CIT(A) for A.Y 2010-11. Out of the demand raised of ₹102,96,29,110/-, the trust had paid ₹51,48,14,555/- in instalments up to 31<sup>st</sup> March, 2015. Aggrieved by the order of CIT (A), trust had preferred an appeal before the Hon'ble ITAT. The Hon'ble ITAT vide order dated 26<sup>th</sup> February, 2018 allowed the appeal of the assessee trust by following the order for A.Y.2010-11 in assessee's own case. Subsequently the order dated 7<sup>th</sup> August, 2018 giving effect to the order of the ITAT has been received on 20<sup>th</sup> February, 2019 and the trust has received a refund of ₹1,40,99,80,850/- vide demand draft dated 5<sup>th</sup> September, 2018 after adjustment of certain demands for other assessment years. However, the A.O. did not grant the deduction of 15% u/s. 11(1)(a) of the Act in the order dated 7<sup>th</sup> August, 2018. The trust vide letter dated 13<sup>th</sup> March, 2019 has requested the A.O. to pass a rectification order. In this regard the trust has also filed an appeal before the CIT(A) on 15<sup>th</sup> March, 2019 which is pending for disposal.

The A.O. had also levied a penalty of ₹77,25,00,000/- by passing an order u/s. 271(1)(c) of the Act and had adjusted the

said penalty demand out of the refund due for A.Y. 2010-11. Against said order, the trust had filed an appeal before the CIT(A) and the Hon'ble CIT(A) has vide order dated 1<sup>st</sup> March, 2019 disposed of the appeal in the favour of the trust and deleted the said penalty of ₹77,25,00,000/-. The trust has vide letter dated 11<sup>th</sup> May, 2019, requested the learned Assessing Officer to pass an order giving effect to the order of the CIT(A) and issue the resultant refund.

- d) While concluding the assessment proceedings for the A.Y. 2012-13, the assessing officer made an addition of ₹2,22,50,000/- being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act and thereby raising a demand of ₹10,40,35,270/- which was rectified to ₹69,44,000/- vide order dated 13<sup>th</sup> October, 2015 passed u/s 154 of the Act. Against the said addition, the Trust has filed an appeal before CIT(A) which has been heard on various dates and order is awaited.
- e) While concluding the assessment proceedings for the A.Y. 2013-14, the assessing officer has made an addition of ₹42,77,50,000 being contribution received towards corpus from the Settlers of the Trust during the year by treating it as income on account of voluntary contribution u/s 2(24) (iia) of the Act 1961 and determining refund of ₹10,48,59,600/- which was adjusted against the demand due for A.Y. 2011-12. Against the said addition, the Trust has filed an appeal before CIT(A) which is pending for disposal.
- f) While concluding the assessment proceedings for the A.Y. 2014-15, the assessing officer had made an addition of ₹93,73,75,000/- being the contribution from settlors to the corpus of the trust by treating the same as voluntary contribution u/s 2(24)(iia) of the Act and determining refund of ₹52,17,58,560/-. Further, the Id.AO has considered returned income at ₹ NIL as against the returned loss/ deficit of ₹55,02,16,378/-. Against the said order, the Trust had filed an appeal before CIT(A) who vide order dated 27<sup>th</sup> December, 2017 has allowed the appeal of the assessee Trust.



# Schedule

## Forming Part of the Balance Sheet and Income and Expenditure Account

- Subsequently the order dated 5<sup>th</sup> April, 2018 giving effect to the order of the CIT(A) was passed by the A.O. wherein he did not allow the claim of carry forward of deficit. Against the said order of the A.O., the Trust has preferred an appeal before the CIT(A) which is pending for disposal. The Trust has received refund of ₹1,22,87,44,100/- vide demand draft dated 13<sup>th</sup> April, 2018. The Income Tax Department has preferred an appeal before the Hon'ble ITAT against the order of the CIT(A) which has been dismissed by Hon'ble ITAT vide order dated 30<sup>th</sup> July, 2019.
- g) While concluding the assessment proceedings for the A.Y. 2015-16, the assessing officer has made an addition of ₹93,73,75,000 being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961. Further, the Id.AO has considered returned income at ₹NIL as against the returned loss of ₹1,79,15,20,936/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending disposal. The AO has not given credit of TDS of ₹11,02,47,956/- for which an application for rectification has been filed on 15<sup>th</sup> January, 2018 which is pending for disposal.
- h) While concluding the assessment proceedings for the A.Y. 2016-17, the assessing officer has made an addition of ₹42,48,75,000/- being contribution received towards corpus from the Settlers of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961. Further, the Id.AO has not granted deduction of 15% u/s. 11(1)(a) and has considered returned income at ₹50,43,34,946 as against the returned income of ₹7,94,59,946/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending for disposal. Out of total refund of ₹43,67,74,164/-, the trust had received a refund of ₹17,18,41,511/- (including interest of ₹3,14,33,172) vide demand draft dated 7<sup>th</sup> June, 2018. Further AO adjusted ₹12,15,34,819/- against demand of AY 2011-12. During the Financial Year 2019-20, the Trust has received balance refund of ₹20,36,78,121/- (including interest of ₹2,88,47,115).
- i) While concluding the assessment proceedings for the A.Y. 2017-18, the assessing officer has made an addition of ₹4,44,41,750/- being contribution received towards corpus from the Settlor, Small Industries Development Bank of India (SIDBI) in terms of the Trust Deed of the Trust by treating it as income on account of voluntary contribution u/s 2(24)(iia) of the Act 1961 and disallowed deduction of provision for guarantee claims of ₹63,83,60,843/- made on the basis of actuarial valuation by restricting the same to the actual payments during the year. The Id. AO did not reduce the amount of depreciation of ₹27,37,771/- written back in the books on account of reworking made by the Trust. The Id. AO also did not grant deduction of 15% u/s. 11(1)(a). Against the said order, the Trust has filed an appeal before CIT(A) which is pending disposal. During the Financial Year 2020-21, the trust has received a refund of ₹10,41,28,573/- (including interest of ₹1,11,56,628/-).
- j) While concluding the assessment proceedings for A.Y. 2018-19, the assessing officer has disallowed deduction of provision for guarantee claims of ₹3,47,04,32,777/- made on the basis of actuarial valuation by restricting the same to the actual payments during the year. The Id. AO did not grant deduction of 15% u/s. 11(1)(a) of ₹9,92,75,616/-. Against the said order, the Trust is in the process of filing appeal before CIT(A) in due course. During the Financial Year 2020-21, the trust has received a refund of ₹53,70,21,544/- (including interest of ₹4,88,20,140/-).
- k) While concluding the assessment proceedings for A.Y. 2019-20, the assessing officer has disallowed deduction of provision for guarantee claims of ₹7,91,02,44,944/- made on the basis of actuarial valuation by restricting the same to the actual payments during the year. The Id. AO did not grant deduction of 15% u/s. 11(1)(a) of ₹8,74,52,35,308/-. Against the said order, the Trust has filed an appeal before CIT(A) which is pending for disposal.
- l) For A.Y. 2020-21 and A.Y. 2021-22, the Trust has filed returns of income claiming refund of ₹82,99,98,551/- and ₹53,78,45,340/- respectively. The assessments for these years are pending.

# Schedule

## Forming Part of the Balance Sheet and Income and Expenditure Account

### 5.2 Indirect Taxation

- a) The Directorate General of Central Excise Intelligence, Chennai had vide show cause notice dated 14<sup>th</sup> October, 2014 sought explanation as to why Guarantee Fee and Annual Service Fees received by them during the period from FY 2009-10 till 30<sup>th</sup> June, 2012 should not be considered as "Support service for Business or Commerce" under Section 65(104c) read with Section 65(105) (zzzq) of Finance Act, 1994 and accordingly service tax of ₹79,68,11,936/- should not be demanded and recovered from them along with interest u/s. 75 of the Finance Act and why penalty should not be imposed u/s. 76, 77 and 78 of the Finance Act. In response to the same, the trust has made written submission on 17<sup>th</sup> December, 2014 and attended the personal hearing before the Commissioner of GST & CX., Bhiwandi on 17<sup>th</sup> April, 2015 and 6<sup>th</sup> December, 2018, who thereafter adjudicated the SCN, vide Order in Original dated 28<sup>th</sup> May, 2019 confirming the demand of Service Tax of ₹79,68,11,936/- along with applicable interest and penalty. The Trust has preferred appeal against the said OIO before in the Custom, Central Excise and Service Tax Appellate Tribunal, Mumbai on 29<sup>th</sup> October, 2019 by making the pre-deposit of ₹5,97,60,896/-, which is yet to be heard.
- b) Audit was conducted on the record of the trust for the period from F.Y. 2010-11 to 2014-15 under Rule 5A of Service Tax Rules, 1994. On the basis of the observations made in the Final Audit Report, Assistant Commissioner of Service Tax, Mumbai had issued show cause notice dated 18<sup>th</sup> April, 2016 asking the trust to explain as to why-
  1. The activity of sharing of staff with M/s. SIDBI should not be classified under "Business Support Service" and Service Tax of ₹52,156/- along with Interest and penalty should not be demanded and recovered;
  2. Service Tax amounting ₹1,74,760/- along with Interest u/s. 75 on the unutilized portion of advances received from the Development Commissioner should not be demanded and recovered.

The response thereto was filed by the trust on 23<sup>rd</sup> August, 2016. Subsequently the Dy. Commissioner of Service tax vide letter dated 24<sup>th</sup> March, 2017 sought clarification as to whether in relation to the points mentioned hereinabove under sub-clause 1) and 2) of Clause b), the same practice continued post 2015. The reply in response thereto has also been filed by Trust vide letter dated 18<sup>th</sup> April, 2017. Personal hearing of the SCN was attended on 4<sup>th</sup> March, 2021 and 25<sup>th</sup> March, 2022 before of the Deputy Commissioner, CGST and Central Excise (Division IV), Mumbai. The Adjudication Order disposing the SCN is awaited.

- c) Show Cause Notice from the Commissioner of Service Tax -Audit II, Mumbai was received on 22<sup>nd</sup> June, 2016 demanding service tax amount of ₹1,78,47,373/- plus applicable interest and penalty, for non-payment of service tax on DAN issued before 30<sup>th</sup> June, 2012 but the fee in respect of such DANs were received post 1<sup>st</sup> July, 2012. The written submission in response thereto were submitted on 23<sup>rd</sup> August, 2016 by the Trust. On 24<sup>th</sup> March, 2021 the personal hearing on web-ex platform was conducted by the Joint Commissioner, CGST and Central Excise, Mumbai East Commissioner which was attended. The department has disposed the case vide order dated 31<sup>st</sup> January, 2021 against the Trust. In the against order, the Trust has filed the appeal before the Commissioner of Central Excise (Appeals) on 13<sup>th</sup> September, 2021 with pre-deposit amount ₹13,38,555/-. Further, the trust has submitted written submissions on 17<sup>th</sup> March, 2022. The Adjudication Order disposing the appeal is awaited.
- d) The first appeal preferred against the OIO of the Assistant Commissioner (Refund – II), Service Tax, Mumbai with regard to claim of Refund of the Service Tax paid on services provided to MLI's located in Jammu and Kashmir amounting to ₹1,07,71,826/- for the period July 2012 to June 2014, was disposed of in favour of the Trust by the Commissioner (Appeals) CGST vide his Order in Appeal

# Schedule

## Forming Part of the Balance Sheet and Income and Expenditure Account

- dated 28<sup>th</sup> August, 2018 remanding back the matter to the original adjudicating authority with the direction to grant the refund after verification of the relevant documents to be produced by the Trust in support of their claim of Refund. No notice is received for verification of documents for processing the refund claim of the Trust from the Original Authority.
- e) The refund application dated 2<sup>nd</sup> April, 2018 for claiming refund of ₹7,54,06,280/- for the period March – June, 2017 in respect of service tax paid in advance on the basis of DANs raised for which ultimately no guarantee services have been rendered and which could also not be adjusted against service tax payable. The same was rejected vide Order in Original dated 07<sup>th</sup> December, 2018 by Assistant Commissioner CGST & Central Excise, Division-I, Mumbai. The Trust has preferred appeal against the said OIO before the Hon'ble Commissioner of Service Tax (Appeals)-II, Mumbai on 7<sup>th</sup> February, 2019. Further, the Commissioner (Appeal-I) GST & CX, Mumbai vide dated 20<sup>th</sup> August, 2020 was allowed the appeal with consequential relief, subject to detailed verification. No communication is received from the jurisdictional officer for verification of documents for processing the refund claim of the Trust from the Authority.
- f) On the basis of Audit Observations made, pursuant to conduct of Service Tax Audit on the record of the Trust for the period from F.Y. 2016-17 to June -2017 under Rule 5A of Service Tax Rules, 1994 Show cause Notice

was issued by the Deputy Commissioner, GST & Central Excise, Division-IV, Mumbai East Commissionerate seeking explanation with regard to:

1. Why Service Tax of ₹40,330/- should not be recovered on Penal Charges deducted while making payment to M/s Path Infotech be covered as declared service under sub-clause (e) of section 66E of Chapter V of the Finance Act, 1994.
2. Why ₹1,37,182/- should not be recovered along with applicable interest for short reversal of common cenvat credit in relation to exempt turnover of services.

In response thereto written submissions have been filed on 18<sup>th</sup> November, 2021. Thereafter, till date no further communication either fixing the date for PH for adjudication or dropping of SCN is received.

6. The Trust has obtained Actuarial Valuation Report of Expected Pay out due to Default in Loans. Accordingly, the additional provision suggested by Actuary in his report is ₹2,321.90 Crore as on 31<sup>st</sup> March, 2022. Details of provision for such claims are as under:

Amount (₹)		
Particulars	Current Year	Previous Year
Opening balance as on 1 <sup>st</sup> April	52,17,11,91,147	38,47,38,05,854
Less: Claim paid during the year	12,27,38,90,742	7,03,30,14,707
Add: Provision made during the year	23,21,90,00,000	20,73,04,00,000
Closing Balance as on 31 <sup>st</sup> March	63,11,63,00,405	52,17,11,91,147

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

**For Patel & Deodhar**  
Chartered Accountants  
ICAI Firm Reg. No. 107644 W

**Sd/-**  
(Deepa M Bhide)  
Partner  
ICAI M. No. 49616

**Sd/-**  
(Sandeep Varma)  
Member Secretary

**On behalf of the Board of Trustees**

**Sd/-**  
(Sivasubramanian Ramann, IA&AS)  
Chairman

**Place:** New Delhi  
**Date:** 13<sup>th</sup> September, 2022







# Passionate Team Driving CGTMSE



## Registered Office of CGTMSE

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