

Chairman's Address

Dear Shareholders,

It is my pleasure to welcome you to this 55th Annual General Meeting of The National Small Industries Corporation Limited (NSIC). The Annual Report alongwith Audited Statement of Accounts for the financial year ended 31st March, 2010 have been with you and with your permission, I take them as read.

The year gone by has indeed been one of the most challenging for the world economy. The unprecedented financial crisis has brutally shaken the foundations of some of the strongest economies in the world. Though Governments across continents have responded speedily and in rare unison, the path to recovery is expected to be long and arduous.

India has not been immune to this shock. While at the aggregate level, our country has displayed remarkable resilience sustaining relatively high growth rates, several sectors have been adversely impacted. Though there are signs today of a recovery, it is early days yet to signal a full-fledged revival. Indian MSME's inherent strengths however provide a strong foundation to better withstand the aftermath of the downturn in the global economy.

Globally, India commands a new respect today and is increasingly being seen as part of a new axis of economic power in the world.

PERFORMANCE

Over the years, your Company has reinforced its core strengths by building new competencies that efficiently serve the emerging needs of the MSME sector. Your Company has created several products that serve the discerning MSME and have added new dimensions to your Company's capability profile. I can say with confidence that your Company has nurtured internal synergies that constitute a competitive force capable of sustaining its position at the forefront for serving the diverse needs of the MSME sector.

Despite the very difficult external economic environment, 2009-10 was a record year in terms of Business, Revenues and Profits for NSIC. Gross Turnover for the year grew by 28% to Rs.4488 crore driven by a robust 18% growth in quantitative terms of raw-material distribution and 89% growth in the Raw Material Assistance against Bank Guarantee. Operating profit grew to Rs. 28.07 crore as against Rs. 9.05 crore in the previous year; Net Profit after tax was Rs.24.27 crore as against Rs. 6.02 crore in the previous year. This unprecedented performance of the Company was due to the increase in reach and services of the Company, continuous up-gradation of its services keeping in view the requirements of MSME Sector.

This deeply symbolic moment in the life of NSIC is certainly a time to celebrate. In commemoration of the historic milestone of having achieved unprecedented results, your Board of Directors has recommended the highest ever dividend of Rs. 485.47 lac as against Rs. 120.46 lac during the previous year. These recommendations reaffirm the enterprise strength of your Company.

SHAPING THE NSIC OF TOMORROW

Unprecedented opportunities for growth in India are unfolding, making our continent a powerful engine of global economic growth. Ahead of India are the best ever years in our country's history. Our primary focus will be to create new fountainheads of value creation for MSMEs within India, while continuing to expand the existing flanks of value creation for the MSME sector.

The path to realizing a new paradigm of high growth is strewn with several fundamental challenges. These can seriously undermine the growth process and derail the pace of progress in the coming years. The most critical factor in the longevity of an organization in my opinion is its internal vitality, namely the capacity to remain relevant and contemporary, its ability to anticipate and proactively manage change and its agility to continuously reinvent and reinvigorate itself. NSIC's sustained growth in the last five years is testimony to your Company's organizational vitality.

It is also manifest in NSIC's strategy of organization, its climate of professionalism and its time-tested caring culture and growing contribution to win over the MSMEs. It is my belief that NSIC has successfully integrated Vision, Values and Vitality in a distinctive blend that shall significantly enhance its potential for the larger society. The compelling Vision of enlarging its contribution to the Indian MSMEs has been a source of inspiration for NSIC in this long and fulfilling journey. NSIC's core Values are embedded in its philosophy of trusteeship and the related belief that enterprises exist to serve society. An unwavering commitment to integrity, ethical conduct, meritocracy, team work and an abiding concern for stakeholders are at the heart of NSIC's core Values. NSIC's Vision provides the overarching inspiration; its Values serve to guide thought and action; and its Vitality enables excellence in strategy formulation and execution. Together, they shall continue to form the core inner strength of NSIC for creating growing value for all its stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

Keeping in view its duty and responsibility towards the society for its development Corporation has always been supporting good social causes for the betterment of the society. In continuation of the same your Board of Directors had allocated a fixed amount for Corporate Social Responsibility initiatives.

Under these initiatives training was imparted by the Company to special categories of persons like Physically Challenged, SCs, STs, OBCs, Women Entrepreneurs and persons below the poverty line.

CORPORATE GOVERNANCE

Your Company is committed to transparency in all its dealings and places highest emphasis on Corporate Ethics. The Company is of the view that good governance goes beyond good working results and financial propriety and is a pre-requisite to attainment of excellent performance in terms of stakeholder value creation.

Corporate Governance provides a principled process and structure through which the objectives of the Company, the means of attaining the objectives and systems of monitoring performance are also set. On these lines, Company has issued a "Code of Business Conducts and Ethics" for Directors and Employees.

AWARDS AND RECOGNITIONS

You would be pleased to know that as a recognition of good work being done by NSIC was awarded for "Excellence in Service" to MSMEs 2009-10 for providing yeoman service in the promotion and development of MSMEs in the State of Orissa by Hon'ble Minister of State (Independent Charge), Food Supplies & Consumer Welfare, Orissa, NTSC-Chennai received an Award and Letter of Appreciation from VEL TECH Technical University, Chennai for partnering with the University in imparting skills to students by way of in-plant training and projects entitled "India – a Superpower in 2020" under Corporate Social Responsibility on 16th May, 2010 by Secretary to the Government of India, Department of Science and Technology and NSIC's Techmart India organised during India International Trade Fair in Nov., 2009, received **Gold Medal** for its Excellence in Display.

ACKNOWLEDGMENTS

I would like to convey my deepest gratitude to Hon'ble Minister of Micro, Small & Medium Enterprises, Secretary to the Government of India, Ministry of Micro, Small & Medium Enterprises for your faith and support through this inspiring journey. Your continued encouragement has indeed given shape to our shared aspiration of creating NSIC as one of India's most admired and Valuable Corporation serving the MSME sector. I would also like to take this opportunity acknowledge support and guidance of Additional Secretary-cum-Financial Advisor, Government of India and Economic Advisor (IF Wing). I am also grateful to Additional Secretary & Development Commissioner (MSME), Joint Secretaries, Directors and other officials of the Ministry of MSME for their confidence and opportunities given for continued growth and expansion of the Company.

I also gratefully, acknowledge the continuous support extended by Planning Commission, Department of Public Enterprises and other Departments.

This journey of excellence is undoubtedly a tribute to your Company's many stakeholders – Industry Associations, Bankers and various Partners – who have stood by NSIC through its voyage of Challenge and Change, as we persevered to recreate it. I take this opportunity to convey my grateful thanks to all of them.

NSIC's journey of progress is an acknowledgement of the untiring efforts of its employees who have dedicatedly served your Company. Their determination and self belief to forge ahead despite many challenges, their loyalty to the organization and commitment to its values have shaped the NSIC of today, leaving an inspiring example for tomorrow. On behalf of the Board of Directors I would like to convey my sincere appreciation to the larger NSIC family of employees who have contributed with all their might.

An ignited corporation is a self-energized body that sets out to outperform itself. I assure you that your company will become far stronger in the years to come. However, the stronger we grow, the more humble we feel.

I, together with your Board, would continue to strive for scaling new heights in its operations in the years to come. I am confident that with your continued support, year 2010-11 would turnout to be yet another year of excellence for the Company.

Place: New Delhi
Date: 27th August,2010

(H. P. Kumar)
Chairman-cum-Managing Director