

## DIRECTORS' REPORT

The Shareholders,  
National Small Industries Corporation Ltd. (NSIC)

Dear Shareholders

On behalf of the Board of Directors of your Company, it is my privilege to present the 53<sup>rd</sup> Annual Report and Audited Statements of Accounts for the financial year ended 31<sup>st</sup> March, 2008, together with comments of the Comptroller & Auditor General of India on the Accounts of your Company.

### 1.0 Corporate Performance at a glance

DERO SAUNDERS in FORBES MAGAZINE had once said that There are just two kinds of stories: - AH .... The wonder of it, and AH.... The pity of it.

Today NSIC has proved through its performance, its transformation as a story of wonder.

The wonder of its emergence,  
The wonder of its vibrancy,  
The wonder of its performance.

I am pleased to report that during the year 2007-08, NSIC continued its journey of growth and achieved record turnover of Rs 2986.79 crore during the financial year, thereby registering a growth of 36% over the previous year. The Corporation earned a net profit of Rs. 4.06 crore during the year as against Rs. 2.84 crore during the previous year after absorbing Rs. 9.55 crore on account of increase in employees remuneration due to impact of pay revision, DA merger and implementation of norms as per Accounting Standard as well as Rs. 2.64 crore, absorbed on account of expenditure of promotional activities.

The major highlights of the achievement during the financial year 2007 -08 are as under:

- Corporation recorded record turnover of Rs. 2986.79 crore as against Rs. 2197.89 crore i.e. growth of 36%.
- The Raw Material Assistance against Bank Guarantee registered a growth of 88% over the previous year and total portfolio reached Rs. 194 crore.
- Revenue from Government Purchase Scheme and Infomediary Services was Rs. 3.37 crore, thereby showing a growth of 27% over the previous year.

- All the 7 Technical Centres have earned the profit during the financial year and became self sustaining.
- The income from infrastructure utilization went up to Rs. 9.22 crore, thereby registering an increase of 36% over the previous year.
- Operating Profit (after tax & before amortization of VRS Expenditure and provision of pay revision) increased to Rs.9.08 crore from Rs. 4.91 crore during the previous year.

**2.0** The Corporation was able to record improvement in all its activities during the financial year 2007-08 due to its continued efforts towards consolidating upon the range of services provided, coupled with enhancing its reach, competitiveness and by providing an added edge to its operations. Some of the steps taken during the year, in this direction were:

- In order to increase the range of services provided to SMEs, Corporation brought new raw materials to its fold for distribution;
- Entered into tie-up arrangements with banks for meeting the credit requirements of SMEs. As on date Corporation has signed MoU with ten banks i.e. United Bank of India, UCO Bank, Oriental Bank of Commerce, Centre Bank of India, Bank of Maharashtra, YES Bank, AXIS Bank, Krur Vyasa Bank, HSBC and Chitatrust Commercial Bank.
- For enlarging the client base and also to provide the services at the doorstep of the entrepreneurs, Sub-Offices and Extension Centres were opened.
- In addition, NSIC signed Memorandum of Understanding with Industry Associations, whereby services at the doorstep of entrepreneurs could be provided.
- All the Technical Centres of the Corporation operated without getting any grants to meet their administrative costs, despite this the Centres through capacity building contributed to over all profitability of the Corporation.
- The Corporation has also been effectively utilizing its idle infrastructure to mobilize additional / alternate sources of revenue. During the year the income generated from infrastructure utilization was Rs. 9.22 crore, thereby registering an increase of 36% over the previous year. Another step in this direction is that construction of "Exhibition-cum-Marketing Development Business Park" (EMDBP) at Hyderabad has started. This would be a five storied building with a covered area of approx. 15,000 sqm. Ground floor would be utilized for exhibition purposes and the upper floors will be given on lease and licence basis to micro and small industries / service providers, IT and

ITES / BPOs and financial institutions / banks. M/s. NBCC has been engaged as the Executing Agency for this project.

- The sustained efforts towards recovery of stuck capital enabled reduction therein to the tune of Rs. 16.37 crore under all the schemes, thereby reducing the stuck capital to Rs. 176.32 crore.
- During the year Corporation made re-payment of the Bonds valuing Rs. 50 crores, which matured on 10<sup>th</sup> March, 2008.

## **2.2 Acclaim and Recognition Earned**

The performance of the Corporation has always been closely observed by the various stakeholders. With the efforts made over the last few years, the Corporation has been able to restore the confidence of its stakeholders. The achievements during the financial year 2007-08 while continued to satisfy the various stakeholders; it also earned the following awards for the Corporation:

- "Corporate Excellence Award" from Amity International Business School – 2<sup>nd</sup> Year in a row.
- "Excellence Award" from Institute of Economic Studies.

## **2.3 Dividend**

Your Directors have recommended dividend @20% of the net profit of Rs. 81,15,000 subject to approval of the shareholders at the Annual General Meeting.

## **2.4 International SME Development Web Portal**

Corporation launched NSIC's International SME Development Web Portal. This portal allows the SMEs support institutions to exchange their information in respect of technologies, investment opportunities and marketing of products and services of SMEs in the country to the other partner countries. NSIC has signed MoUs with renowned countries' specific SMEs' support institutions acting as a pro-active partner for the development of SMEs. Presently, there are 22 countries specific SMEs support institutions.

## **2.5 Setting up of NSIC Training-cum-Incubation Centres (NSIC-TIC) for Small Enterprises Establishment under Public Private Partnership (PPP) Mode**

One of the programmes being implemented by NSIC is to create employment opportunities by imparting training in entrepreneurship and skill development to the unemployed people who want to set up their own enterprises in any of the manufacturing / services sector or seek employment opportunities. For this purpose NSIC is operating technical and incubation centres at various locations in the country. In

order to expand its reach to impart such training to large number of unemployed people, NSIC is in the process of setting up a number of franchise centres under Public Private Partnership mode in the country.

### 3.0 Capital Structure & Borrowings

The Paid-up-Capital of the Corporation is Rs. 232.988 crore. Loans from Government of India, financial institutions and banks were of the order of Rs.151.27 crore as against Rs. 149.78 crore at the end of the previous year. Repayment of installments and interest due till 31<sup>st</sup> March,2008 in respect of all loans has been made as per the due dates.

### 4.0 Investment

Corporation is having 12,14,000 equity shares of Rs.10/- each in Singer India Ltd. In addition to this Corporation had made investment of Rs. 10 lac in equity of SIPPO and Rs. 5 lac in equity of SIPMO. Both these Companies were set up for marketing the products of small industries.

### 5.0 Fixed Deposit Scheme

The Corporation has not accepted any Fixed Deposits during the year. The unclaimed deposits as on 31<sup>st</sup> March, 2008 were of Rs. 33,000/-.

### 6.0 Industrial Relations & Human Resource Management

- 6.1 The total manpower of the Corporation as on 31<sup>st</sup> March,2008 was 848 as against 860 in the previous year.

The break-up of the manpower is as follows:

S. No.	Description	As on 31.03.2008	As on 31.03.2007
1.	Managerial	345	272
2.	Supervisory	146	192
3.	Non-Supervisory	357	396
	<b>Total</b>	<b>848</b>	860

### 6.2 Human Resource Development & Training

Training is an integral part of human resource development in corporate sector. It helps in motivating the people, creating leadership and developing self-confidence. Through training programme(s) executives develop the capabilities of managing conflicts, change and create team building etc. Training programmes help to disseminate company strategy and plan of future growth and operation etc.

The new projects and training division created last year in the Corporation streamlined the training process in a planned way and conducted five Management Development Programmes (MDPs) for officers and equal number of Executive Development Programmes (EDP) for non-executives, apart from sponsoring several personnel to the training programmes conducted by out side institutions including overseas institutions. The training programmes were also conducted at various Branch Offices and NTSCs / NTSECs. The significant vertical performance graph of NSIC is the testimony of how much energy these training programmes generate among the employees in building the competence for achieving the organizational goals. Good teamwork and cross functional skill is evident among the personnel posted in the NSIC offices. 131 officers and 187 non-executives participated in the training programmes under MDP and EDP respectively. Figure of training mandays was 1119 and 936 for executives and non-executives respectively in the financial year 2007-08.

### **7.0 Personnel and Industrial Relations**

During the year 2007-08 very good and cordial relations were maintained with employees' unions and Officers Association. As a result, there is peace and harmony and no disturbance whatsoever to industrial peace. Overall, industrial relations were harmonious during the year.

### **8.0 Particulars of Employees**

Pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules 1975 there was no employee drawing remuneration above the specified limits.

### **9.0 Representation of SCs / STs and Minorities**

The directives of the Government relating to the reserve categories such as Scheduled Castes and Scheduled Tribes, Physically Handicapped, Ex-Servicemen and Minorities etc. continued to be adhered to during the year.

### **10.0 Vigilance Activities**

Vigilance is basically and admittedly a part of managerial function. Vigilance Department works in cooperation with other division's / units of the Corporation at all levels. Besides, the vigilance department also coordinates with CVC, CBI and other related outside agencies. It ensures that there is no wastage, misuse or pilferage of the available resources and there is optimum use of these resources to fulfill the objective.

The Vigilance department not only assists the Management / Competent Authority in punishing the unscrupulous employees for their proven acts of misconduct, but also helps in saving the honest

and efficient officials from any harassment by way of false and motivated complaints made out of personal vendetta.

During the year 2007-08, a Vigilance Awareness Week was observed from 12<sup>th</sup> – 16<sup>th</sup> Nov., 2007 as a campaign against corruption and to create awareness among the employees of the Corporation. A pledge to bring about integrity and eradicate corruption was administered to all the employees of the Corporation. Apart from this, training related to Vigilance awareness was also imparted to various officials of the Corporation during the year.

The Immovable Property Returns of all the Officers of "A" Category of the Corporation were scrutinized and action taken as felt necessary based on such scrutiny. A number of surprise visits and checks were carried out in various offices of the Corporation and corrective steps taken wherever required.

### **11.0 Citizen Charter**

NSIC is committed to efficient and prompt service on the basis of objectivity, transparency and courtesy in dealing with our citizens for the promotion and growth of MSMEs. To inculcate these values in the employees, NSIC has come out with the Citizen's Charter. Some officers have been assigned to work as link between the public and Corporation and members of public can get in touch with these officers to get guidance and help.

### **12.0 Signing of Memorandum of Understanding with the Government**

The Corporation has signed a MoU with the Ministry of Micro, Small and medium enterprises for the year 2008-09.

On the basis of performance for 2007-08, the grading of MoU Composite Score of the Corporation stood at "Excellent". On comparing the MoU Composite Score, it was noted that during the year 2007-08 the Composite Score was 1.47 as against 2.35 for 2006-07, thereby falling under "Excellent" Rating Category. It would be pertinent to mention that the improvement in the Corporation's results can be gauged from the improvement in the MoU Composite Score.

### **13.0 Rajbhasha**

With a view to implement the Official Language Policy of the Government of India and to ensure the progressive and effective use of Hindi in the Corporation, Hindi Section is functioning in the Corporate Office. During the year, Hindi Divas and Hindi Pakhwara were celebrated from 14<sup>th</sup> – 28<sup>th</sup> September, 2007 in which various Hindi competitions were organised. Meetings of the official Language Implementation Committee of the Corporation and Hindi Workshops were regularly organised. Inspections of various offices of the Corporation as well as the Branch Offices located at different places of

the country were also carried out. By incurring more than 50% expenditure of the budget allocation on purchase of Hindi books, a good stock of Hindi books is available in the Library.

To encourage the employees to work in Hindi, incentives are being provided to them. Literature and application forms of various schemes of NSIC were prepared bilingually.

For the purpose of intensive campaigns conducted in Hindi speaking areas, the participants were apprised about the schemes in Hindi language and, therefore, the literature was got printed in Hindi for distribution. The house journal of the Corporation namely "NSIC PARIWAR" was brought out during the year.

The Sub-Committee of Parliamentary Official Language Committee inspected our Zonal Office, Chennai.

The employees of the Corporation were nominated for Hindi training / Hindi computer training / Hindi stenography and typewriting programmes. The use of Hindi continued to increase gradually in the Corporation.

#### **14.0 Particulars of Energy Conservation, Technology Absorption**

As NSIC does not have manufacturing activities, the declaration of information as regards conservation of energy, technology absorption is not required.

#### **15.0 Foreign Exchange**

The Corporation is earning foreign exchange by export of products of small scale sector as well as supply of turnkey projects to developing countries. During the year 2007-08, Corporation earned foreign exchange valuing Rs. 217.03 lac from export activities.

#### **16.0 Board of Directors**

The Board of Directors of the Corporation met six times during the year, in addition to this three Sub-Committee and three Audit Committee Meetings were held..

Shri A.K. Jha ceased to be the member of the Board from 25<sup>th</sup> Sept.,2007.

Shri R.K. Manchanda, Economic Adviser, Ministry of MSME was appointed as Director on the Board of the Corporation w.e.f. 25<sup>th</sup> September,2007.

## **17.0 Audit Committee**

The Board Audit Committee consisted of Shri S.A.T. Rizvi, Shri A.K. Jha, Shri Rakesh Rewari and Shri Dilip Phukan. On 25<sup>th</sup> Sept.,2007 Shri A.K. Jha ceased to be member of the Board, hence the Audit Committee consisted of Shri S.A.T. Rizvi, Shri Rakesh Rewari and Shri Dilip Phukan

The Board Audit Committee met three times during the year.

## **18.0 Director's Responsibility Statement**

Pursuant to the provisions of section 217(2AA) of the Companies Act,1956, your Directors hereby confirm:

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- b. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- c. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. that the Directors have prepared the annual accounts on a going concern basis.

## **19.0 Corporate Governance**

A separate report on Corporate Governance forms part of the Annual Report and is annexed.

## **20.0 Auditor's Report to Shareholders**

The Report of the Statutory Auditors is annexed. The Directors have considered the comments of the Statutory Auditors, and felt that the notes given on the Balance Sheet, Profit & Loss Account and Income & Expenditure Account in clarification are adequate. The observations of the Auditors have been noted for appropriate action.

The review of the accounts of the Corporation for the year ended 31<sup>st</sup> March,2008 by the Indian Audit and Accounts Department together



with comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956, are also annexed.

The Directors' replies to the statutory auditor's report & CAG's report are Annexed.

## **21.0 Acknowledgements**

The Directors wish to place on record their deep appreciation for the continued guidance provided by Hon'ble Minister of MSME, support & guidance of Ministry of Micro, Small and Medium Enterprises (MSME), Ministry of Finance, Ministry of Steel, Planning Commission, Department of Public Enterprises. The Directors also thank the AS&DC (MSME), AS&FA State Governments and their agencies for their co-operation to NSIC in rendering assistance to the MSME sector. The Directors are grateful to the Comptroller and Auditor General of India, Member Audit Board and the Statutory Auditors for their valued co-operation.

The Directors also acknowledge the valuable assistance provided by KFW Germany, HSBC Ltd., Punjab National Bank, Chinatrust Commercial Bank, ICICI Bank Ltd. and IndusInd Bank.

Directors wish to place on record their appreciation of the commitment and contribution of the Company's employees.

On behalf of the Board of Directors

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

New Delhi  
29<sup>th</sup> August, 2008