

DIRECTORS' REPORT

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

Dear Shareholders

On behalf of the Board of Directors of your Company, I have great pleasure in welcoming you to the 57th Annual General Meeting of the NSIC Ltd. The Annual Report and Audited Statement of Accounts for the financial year ended 31st March, 2012, together with comments of the Comptroller & Auditor General of India on the Accounts of the Company have been forwarded to you and with your permission, I take them as read.

1.0 Operating Performance

During the year 2011-12, NSIC's performance in-terms of physical and financial outcomes in almost all parameters exceeded the targets set for the year. This could be possible due to all-round expansion of services by reaching out to larger number of MSMEs in the country. NSIC is addressing all the needs of the MSMEs in an integrated manner - comprising of stimulation, support, sustenance and growth of MSMEs. In line with the current economic changes, the Corporation introduced many new schemes from time to time for the development of the sector. NSIC is continuing to play an important role in assisting members of MSMEs under its schemes, which are designed to suit the requirement of the sector in the changed economic scenario.

All the schemes operated by the Corporation for the MSMEs are receiving good response from MSME sector and the demand for these schemes has been rising which clearly shows their attractiveness in-terms of their utility, pricing and the quality of service delivery. NSIC has been continuously striving to improve the customers' satisfaction by laying greater emphasis on the quality of service delivery. During the year 2011-12, NSIC did not receive any grant from Government for its operating expenditure.

Highlights of achievements for the year 2011-12 are briefly mentioned below:

1.1 Record Business Turnover

The business turnover of the Company for the year 2011-12 went up to Rs.11,137 crore as compared to Rs. 7,979 crore in the previous year registering a growth of 40%.

1.2 Profitability

The gross margin and profit before & after tax earned by the Company during 2011-12 vis-à-vis 2010-11 is depicted in the table below:

Particulars	(Rs. in Lac)	
	2010-11	2011-12
Gross Margin	8165.00	15,333.00
Net Profit before Tax	3,516.92	6,021.14
Less : Provision for Tax	538.50	1,900.00
Net Profit after tax	2,978.42	4,121.14
Earning Per Share (Rs.)	12.78	17.50

1.3 Raw Material Assistance

Amongst the diverse requirements of MSMEs, steady and timely availability of raw material assumes great significance. Accordingly, in the various support services rendered by the Corporation, while providing 'Marketing Support', Raw Material Distribution has been given top priority. Raw Material assistance to MSMEs at competitive rates, quality and in time not only enhances the competitive capacity of small units but also arrests sickness of the enterprises.

NSIC, through its distribution network, has been supplementing the availability of raw material to a large number of MSMEs scattered all over the country. Arrangements have been made with bulk manufacturers to provide raw materials to Micro & Small Enterprises as per their requirements:

Raw materials distribution, in quantitative terms, grew up by 31% to 6,84,976 MTs in 2011-12 from 5,24,534 MTs in 2010-11.

The Portfolio of Raw Material Assistance against Bank Guarantee reached Rs. 1573 crore on 31st March, 2012 as against Rs. 983 crore on 31st March, 2011, thereby registering a growth of 60%.

1.4 Credit Facilitation

Credit facilitation by NSIC during the year 2011-12 to Micro, Small & Medium Enterprises increased to Rs. 3824 crore from Rs. 2349 crore in the previous year, registering a growth of 63%. Corporation has Tie-up arrangements with 16 Banks for providing Credit Facilitation to the MSME sector. During the year 2011-12 Agreements were signed with 4 more Banks i.e. Vijaya Bank, IndusInd Bank, Bank of Baroda and Federal Bank for credit facilitation to this sector.

1.5 Single Point Registration Scheme (SPRS) & B2B portal

The Revenue from SPRS and B2B Portal increased to Rs. 10.89 crore from Rs. 5.94 crore in the previous year thereby posting a growth of 84% over the previous year.

1.6 Performance of NSIC – Technical Services Centres

Financial year 2011-12 continued to be another year for the Technical Centres when all seven technical centres operated without getting any grants to meet their administrative cost. This could be possible through the Technical Centres beginning to undertake "Techno-Commercial Activity". The aggregate income of technical services increased to Rs. 23.99 crore registering a growth of 32% over the previous financial year.

1.7 Government Schemes

For the financial year 2011-12, NSIC continued to implement two schemes on behalf of the Government of India namely Performance & Credit Rating Scheme and Marketing Assistance Scheme.

Under the Performance & Credit Rating Scheme, 13,547 units were rated during the year as against 10,327 in 2010-11 posting an increase of 31% over previous year.

Under the Marketing Assistance Scheme, the Corporation could conduct various events namely Exhibitions in India & abroad, Buyer Seller Meets, Intensive Campaigns etc. The total number of events held was 888, which included 6 international level exhibitions organized during the year to support marketing efforts of MSMEs.

2.0 Dividend

As per directions from Ministry of Finance, Government of India vide their O.M. No. F.19 (1)-I.III(A)/98 dated 20th August,1998, 20% of the net profit has been provided for in the books of accounts as dividend i.e. Rs. 824.23 lac. Tax provision for dividend for 2011-12, amounting to Rs. 133.71 lac has been made as per applicable laws and has also been provided for in the books of accounts. The provision for dividend for 2011-12 is subject to approval by the shareholders.

It is pertinent to mention that the dividend provided for the year Rs.824.23 lac shows an increase of 38% over 2010-11 Rs. 595.69 lac.

3.0 Management Discussion & Analysis

A separate report on Management Discussion and analysis is attached to this report.

4.0 Support services offered to MSME sector

The Corporation continued providing following support services to help the MSME sector to increase their business & reach.

4.1 Marketing Intelligence Cell

Hon'ble Prime Minister's Task Force set up to consider various issues relating to Micro, Small & Medium Enterprises Sector in its report had suggested various measures which inter-alia included setting up of a "Marketing Intelligence Cell". Accordingly, NSIC established a Marketing Intelligence Cell for collecting and disseminating both domestic and international marketing intelligence in coordination with other relevant departments / agencies.

Marketing Intelligence Cell has created an in-house data base of SME buyer departments and products for use by MSMEs. The data base of industry associations, exporters and sector-wise industry profiles have been created.

Hyperlinks have been provided with Government / PSUs for scanning tenders and other related information. The linkages have also been established with Indian Embassies abroad for providing market information about changing patterns in the international markets to help MSMEs in planning their marketing strategies.

MSME Intelligence Portal

NSIC has been running a web portal for disseminating marketing intelligence to the MSME sector in the country. This web portal is facilitating connectivity to Indian MSMEs with global enterprises for accessing information about the products and technologies available from MSME sector in India. The portal has advanced features with access to valuable database of information such as marketing intelligence reports, Interactive information on Government bulk buyers, Government rate contracts, Information on Indian exporters, Online details of international buyers, National & international trade leads, Sector watch alerts, Events & Exhibitions, bullion market, MSME News, National & global tender notices relevant to MSMEs etc. it stands out as one-stop-shop for MSMEs in the context of accessing Marketing Information.

Promoting International Trade through NSIC's B2B & B2C Web Portal

NSIC has enhanced its existing B2B Web Portal into an Integrated Web Portal www.msmemart.com with its endeavor to facilitate Marketing Services effectively to MSMEs across the country. The new portal provides an online platform for B2B (Business to Business) and B2C (Business to Customer) marketing activities. MSMEs can join this portal to market their products and services globally.

Major features of the portal are interactive and sector specific large databases of MEMEs, Online global and national tender notices and alerts, self web development tool and B2B facilities, payment gateway for membership subscription, global trade leads from trusted international sources, online buying / selling, multi product cart, multiple payment options, MSME's web store, multiple language support etc.

Rolling of new web portal is being carried out currently and the information is being disseminated to MSMEs across the country and related institutions including MSMEs Associations to avail the benefits of the web portal.

4.2 NSIC-Training-cum-Incubation Centres (NSIC-TICs) for creating new entrepreneurship.

Training Cum Incubation Centres were started by NSIC with an objective to create self-employment opportunities by imparting training in entrepreneurship building to the unemployed people who want to set up new small business enterprises in any of the manufacturing/ services sectors or seek employment opportunities

The Scheme is being operated under PPP [Private Public Partnership] mode where the private partner is associated with NSIC and NSIC offers technical & other support services to associate unit with a view to achieve the objectives of the centre.

NSIC Training-cum-Incubation Centres provide an opportunity to first generation entrepreneurs to acquire skill for enterprise building and also incubate them to become successful small business owners. At these centres, exposure in all areas of business operations are being provided such as business skills development, identification of appropriate technology, hands on experience on working projects, project / product selection, opportunity guidance including commercial aspects of business. In addition, low cost project technologies required for setting up new small business enterprises are being displayed in working condition.

In the year 2011-12, fourteen new centres were started and with the addition of these centres, 45 centres are operational covering 18 states i.e. Delhi, Uttar Pradesh, Haryana, Punjab, Himachal Pradesh, Uttarakhand, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Gujarat, Kerala, Karnataka, Tamilnadu, Andhra Pradesh, West Bengal, Assam, Orissa and Tripura.

5.0 International Co-operation

NSIC facilitates sustainable international partnerships. The emphasis is on sustainable business relations. Since its inception, NSIC has contributed to strengthening enterprise-to-enterprise cooperation and sharing best practices and experiences with other developing countries, especially those in African, Asian and Pacific regions. Main features of International Cooperation are:

- Exchange of Business / Technology missions with various countries;
- Facilitating Enterprise to Enterprise cooperation, Technology Transfers & other forms of sustainable collaboration;
- Explore new markets & areas of co-operations;
- Identification of new export markets by participating in exhibitions abroad;
- Sharing of Indian experiences with other developing countries.

In order to enhance the cooperation for institutional support with various countries, NSIC had signed Agreements/MoUs with the following three countries:-

- 1. Uzbekistan:** NSIC signed an Agreement of Mutual Cooperation with Chamber of Commerce & Industry of Uzbekistan on May 18, 2011 at New Delhi for enhancing cooperation for the development of MSMEs in Uzbekistan.
- 2. Ethiopia:** A Memorandum of Understanding was signed between NSIC and Federal Micro and Small Enterprises Development Agency (FeMSEDA), Ethiopia in the august presence of Hon'ble Prime Minister of India, Dr. Manmohan Singh and the Ethiopian Prime Minister, Meles Zenawi on May 25, 2011 at Addis Ababa, Ethiopia during the visit of Prime Minister of India in connection with India-Africa Forum Summit-II to Ethiopia. MOU envisages cooperation for the development of micro & small enterprises in Ethiopia.



Hon'ble Prime Minister of India, Dr. Manmohan Singh and the Ethiopian Prime Minister, Meles Zenawi witnessing the signing of MoU signed by Dr. H.P. Kumar, Chairman cum Managing Director, NSIC and Mr. Meskel Challa, Director General, FEMSEDA, Ethiopia, in Addis Ababa, Ethiopia on May 25, 2011.

- 3. Tanzania:** A Joint Action Plan was signed between NSIC and Small Industries Development Organisation of Tanzania in the presence of Hon'ble Prime Minister of India, Dr. Manmohan Singh and the Tanzanian President, Mr. Jakaya Mrisho Kikwete in Dar es Salaam, Tanzania on May 27, 2011. Joint Action Plan was signed by Dr. H.P. Kumar, CMD, National Small Industries Corporation, India and Mr. Mike Laiser, Director General of Small Industries Development Organisation of Tanzania during the bilateral visit of Indian delegation led by Hon'ble Prime Minister of India to Tanzania. Joint Action Plan envisages cooperation for the development of micro & small enterprises in Tanzania.



International Consultancy Services

For the last five decades, NSIC has acquired various skill sets in the development process of small enterprises. The inherent skills are being networked to offer consultancy services for other developing countries. The areas of consultancy are as listed below:

- Capacity Building
- Policy & Institutional Framework
- Entrepreneurship Development
- Business Development Services

During the year 18 delegations from various countries visited NSIC to discuss the issue of mutual cooperation and NSIC model of Incubation.

NSIC is setting up Vocational Training Centres (VTCs) / Incubation Centres (ICs) in ten African countries with funding from Ministry of External Affairs (MEA), Govt. of India under India Africa Forum Summit (IAFS) held in 2008 with African Union.

NSIC's scope of work includes carrying out feasibility study and preparation of Detailed Project Reports (DPRs), supply of plant & machinery, installation & commissioning and carrying out training of host trainers at sites for identified countries.

NSIC has signed Agreements with MEA for execution of the project in Ethiopia (Addis Ababa), Burundi (Bujumbura) and Mozambique (Maputo). Agreements for other identified locations shall be signed with MEA after identification of sites for proposed centres.

6.0 Exhibitions

During the year NSIC organized 6 International level exhibitions in India, participated in 12 International exhibitions abroad and 110 domestic exhibitions including co-sponsoring of 12 events, conducted 19 buyer-seller meets and 729 marketing workshops. The trademark exhibition of the Corporation "Techmart India" was organised during November,2011.

"Techmart India, 2011" is a unique platform to provide opportunities to MSEs for displaying their capabilities, competencies and enhancing their marketing efforts. The exhibition was divided into several segments like Light Engineering, Mechanical Products, Electrical & Electronics, Auto Components, Information Technology, Pharmaceuticals, Ceramic, Machine Tools & other General Products.

The other attraction of Techmart India,2011 was an exclusive display of products manufactured by units of North Eastern States and a Virtual Display in Techmart India,2011, wherein 244 MSMEs got opportunity to display their product profiles with images and text through e-Catalogues on web portal www.nsicindia.com.

7.0 NSIC's services in North Eastern Region (NER)

7.1 NSIC has a network of offices in NER. This includes branches at Guwahati, Tinsukia (Assam), and sub-offices at Imphal (Manipur); Dimapur (Nagaland); Itanagar (Arunachal Pradesh); Shillong (Meghalaya) and Agartala (Tripura).

7.2 During the year 2011-12, 20 skill development training programmes and 19 Entrepreneurship Orientation Programmes were conducted for the unemployed youth of North Eastern States in various parts of North-Eastern States viz. Assam, Tripura, Manipur, Nagaland, Meghalaya, Sikkim, Arunachal Pradesh and Mizoram, which was sponsored by NEC, Ministry of DoNER, Government of India, Minority Development Commission and

Government of Assam Guwahati, Jorhat Engineering College, Jorhat, Assam Agriculture University, Jorhat & number of Colleges of Tripura & Manipur. During the year, 2123 trainees were trained in these programmes.

7.3 NSIC Incubation Centre at Guwahati has taken a new initiative of conducting programmes in joint collaboration with other universities. It has entered into an agreement with Indira Gandhi National Open University (IGNOU) during this year.

8.0 Equity Support

As recommended by the Prime Minister's Task Force on MSMEs, Government had sanctioned Equity infusion of Rs. 300 crore in the Corporation to be released in three tranches. The first tranche of equity amounting to Rs.155 crore was received during the year 2011-12.

9.0 Capital Structure & Borrowings

The Paid-up-Capital of the Company went upto Rs. 387.99 crore as on 31.03.2012. Loans from financial institutions and banks were of the order of Rs. 1179 crore as against Rs. 926 crore at the end of the previous year. Repayment of installments and interest due till 31st March, 2012 in respect of all loans were made on the due dates.

10.0 Investments

NSIC had 1,21,400 equity shares of Rs.10/- each in Singer India Ltd. NSIC has investment of Rs. 10 lac (Rs. 5 lac in May 1992 and another Rs. 5 lac in April 1994) in equity of SIPPO and Rs. 5 lac in equity of SIPMO in December, 1994. Both these Companies were set up in early nineties for marketing of the products of small industries.

11.0 Fixed Deposit Scheme

Your company has not accepted any Fixed Deposits and as such no amount of principal or interest was outstanding as on 31st March, 2012.

12.0 Human Resource Management

12.1 The total manpower of the Company as on 31st March, 2012 was 896 as against 895 in the previous year.

The break-up of the manpower was as follows:

S. No.	Description	As on 31.03.2012	As on 31.03.2011
1.	Managerial	426	408
2.	Supervisory	166	173
3.	Non-Supervisory	304	314
	Total	896	895

12.2 Training

Training is crucial for organizational development & success. It helps in optimizing the utilization of human resources that further helps the employees to achieve their organizational goals. Keeping this fact in view, it was decided to update the knowledge of employees through training.

Keeping in view the training needs at different levels various training programmes were organized. During the year 2011-12, eight major In-house training programmes were organized, these programmes were Management Development Programmes; Finance for non-finance executives, Induction programme for new inductees and Training Programme at the time of Annual Review Conference, 2011. Apart from the above, officers were also nominated to 60 training programmes organized by various other professional institutions. The training for 1703 man-days was provided during the year.

12.3 ISO

The Quality Management System ISO-9001:2000 was embedded in NSIC during the year 2003 and since then the system is deeply ingrained in various offices. 23 major branch offices, 7 NSIC-Technical Services Centres and Corporate Office are presently ISO certified under Quality Management System ISO-9001:2008.

13.0 Personnel and Industrial Relations

During the year 2011-12, good and cordial relations were maintained with NSIC Employees. There was no agitation or strike. Meetings were held with Union from time to time to discuss various issues and to resolve them amicably. Overall, harmonious industrial relations were maintained during the year 2011-12.

14.0 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 monthly remuneration of Rs. 5,00,000/- and above.

15.0 Representation of SCs, STs and Minorities

The directives of the Government relating to the reserved categories such as Scheduled Castes, Scheduled Tribes, Other Backward Classes, Disabled persons continued to be adhered to during the year. The post based Reservation rosters for direct recruitment as well as promotion are being maintained which are duly inspected by the Liaison Officer of the Corporation.

In the MoU signed with the Administrative Ministry for the year 2011-12, parameters have been provided for assistance to the candidates /entrepreneurs belonging to Schedule Castes, Schedule Tribes and the Corporation achieved 'Excellent Rating' for achieving these targets.

16.0 Vigilance Activities

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 harassment by way of false and motivated complaints made out of personal vendetta. Besides, the Vigilance Department also coordinates with CVC, CBI and other outside related agencies. The Vigilance denotes watchfulness and alertness, which is most important and vital for growth of any Corporation. It ensures that there is no wastage, misuse or pilferage of the available resources and optimum use of these resources is made to fulfill the objective.

During the year 2011-12, a "Vigilance Awareness Week" was observed from 31.10.2011 to 5.11.2011 as a campaign against corruption and to create awareness among the employees of the Corporation. A pledge to bring integrity and eradicate corruption was administered to all the employees of the Corporation in all its offices at various places of the country. Apart from this, training for creating vigilance awareness among officials of the Corporation was also imparted during the year.

The Immovable Property Returns of all the officers of "A" & "B" 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.

Various reports and returns were also submitted to concerned Ministry and CBI / CVC in time and complaints received were recorded in Complaint Register as per procedure.

The CVC advices, as and when received, were processed as per directions of CVC.

A close liaison has also been made with outside agencies investigating the cases of financial irregularities and all necessary infrastructure and documents were provided to them for speedy disposal of the cases. It was also ensured that the persons having doubtful integrity are not posted at sensitive positions.

17.0 Recognitions

In recognition of the services rendered by the Company for the development of MSMEs, following awards were conferred upon NSIC:

17.1 "Award of Excellence" : An award of Excellence was conferred on NSIC for its role in the direction of promoting, developing and financing of MSMEs in the country.

17.2 "India Pride Awards 2011": CMD, NSIC was awarded Gold Medal at the India Pride Awards, 2011 (a Dainik Bhaskar initiative) for excellence in creating impact in the Indian Economy and Society from Shri Montek Singh Ahluwalia, Deputy Chairman, Planning Commission.

17.3 "Council of Arab League Award": Council of Arab League, an organization of Arab States in North and Northeast Africa and Southwest Asia (Middle East) comprising of 22 countries conferred "Council of Arab league Award" on CMD, NSIC in recognition of his outstanding contribution in the field of MSME sector in the region especially for his innovative Rapid Incubation Program for creation of self-employment opportunities which has been found very useful in many countries of Africa.

18.0 Corporate Social Responsibility (CSR)

NSIC has always been conscious of its responsibilities and duties towards the society. It has been in the forefront in conducting various CSR initiatives for the benefit of the weaker sections of the society in different parts of the country. In continuation of this objective, the Board of Directors had decided to implement the DPE guidelines for funds to be allocated towards Corporate Social

Responsibility initiatives. During the year, Corporation took up the following initiatives under CSR activities:

- Health care facilities for weaker sections of the society through health camps;
- Fully equipped Mobile Medical Unit (MMU) was launched for providing health care facilities at the doorsteps of urban poor,
- Computer centres were set up for providing computer education to the under privileged girls and visually challenged persons;
- Education for under privileged children in selected slum areas for pre-school going children and school going children in form of getting their home work done and extra studies in form of bridge education;
- Vocational training to physically challenged persons to equip them with the required skill set to enable them to take up employment or set up their own small enterprises;
- Integrated development of selected slum clusters by taking up special programme(s) for upliftment of girl children and women;
- Provided training in solar lanterns assembly and distribution in the selected areas where there is no electricity;
- Provided day care facilities and medicines for disabled persons.

19.0 Citizens' Charter

NSIC is committed to provide 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 a Citizens' Charter. Specific officers have been assigned to work as link between public and the company.

20.0 Signing of Memorandum of Understanding with the Government

NSIC has signed a MoU with the Ministry of Micro, Small and Medium Enterprises for the year 2012-13.

The Company's rating based on the results for the year 2011-12 would be "Excellent".

21.0 Rajbhasha

With a view to ensure the progressive use of Rajbhasha Hindi in the Corporation, implementation of the provisions of Official Language Act, 1963, rules framed thereunder and the directives of Central Government continued during the year 2011-12. Besides, following special activities were also carried out so as to strengthen the effective use of Hindi:-

- Branch of Kendriya Sachivalaya Hindi Parishad was established in Corporation's Head Office.
- At Corporate Office, Hindi Divas was observed on 14th Sept., 2011 and from 1st September to 30th September, 2011 "Hindi Month" was organised during which various Hindi competitions were conducted and awards given to winners.
- Under the aegis of Town Official Language Implementation Committee (TOLIC), PSU Delhi, A Hindi Competition viz. Hindi Samachar Vachan & Prastutikaran Pratiyogita was organized on 29th Nov., 2011 for Delhi based Public Sectors.
- Inspection of various divisions of Corporate Office and field Offices was carried out during the year. Similarly, Hindi inspection teams from our Administrative Ministry & Official Language Department, Govt. of India carried out Hindi inspection of our Corporate Office and appreciated the progress made towards use of Hindi.
- After ensuring 80% working knowledge of Hindi in subordinate offices 13 offices were got notified under rule 10(4) of Official Language Rules, 1976.
- Regular Hindi workshops were organized and the officers / employees were trained to work in Hindi. In addition, Official Language awareness programmes / Hindi workshops were also conducted in subordinate offices, during the course of Official Language inspections.
- For introducing Unicode encoding based Font Mangal and to impart training to employees of the Corporation six part time departmental training programmes were conducted.
- Monthly Newsletter NSIC Chronicle was brought out in Hindi & English.
- Out of the total expenditure made for purchase of books, more than 50% amount was incurred on purchase of Hindi books.

With the above activities, use of Hindi is increasing considerably in the Corporation.

22.0 Particulars of Energy Conservation, Technology absorption

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

23.0 Foreign Exchange

During the year 2011-12, the company earned foreign exchange valuing Rs. 32.27 lac from activities abroad.

24.0 Board of Directors

The Board of Directors of the Company met ten times during the year besides one Sub-Committee meeting and five Audit Committee Meetings were held.

25.0 Audit Committee

The members of the Audit Committee are Shri Rakesh Rewari, Shri Rajive Chawla and Shri Sirajuddin Qureshi.

The Board Audit Committee met five times during the year.

26.0 Director's Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a. that in the preparation of the Annual Accounts, the applicable Accounting Standards were followed alongwith proper explanations relating to material departures.
- b. that the Directors selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
- c. that the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. that the Directors prepared the Annual Accounts for the year ended on 31st March,2012 on a 'going concern basis'.

27.0 Corporate Governance

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

28.0 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 Company for the year ended 31st March, 2012 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 auditors' report & C& AG's report are annexed.

29.0 Acknowledgements

The Board of Directors wish to place on record their gratitude and appreciation for the continued guidance provided by the Hon'ble Minister of Micro, Small & Medium Enterprises, support & guidance of Secretary Ministry of Micro, Small and Medium Enterprises (MSME), Ministry of Finance, Planning Commission, Department of Public Enterprises, Ministry of Steel and Ministry of External Affairs. The Directors also wish to place on record their thanks to the AS&FA and AS&DC (MSME) for their continued support. 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 Hongkong and Shanghai Banking Corporation Ltd., Corporation Bank, The Bank of Tokyo - Mitsubishi UFJ. Ltd., Punjab National Bank, Chinatrust Commercial Bank, Union Bank of India and Vijaya Bank.

Directors wish to place on record their appreciation for the employees at all levels for their hard work and contribution made to ensure that the Company continues to grow.

On behalf of the Board of Directors

New Delhi
29th August, 2012

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

Report on Corporate Governance

• Philosophy on Corporate Governance

Corporate Governance of NSIC is a rigorous and well established framework that helps to manage the Company's affairs in a fair, accountable and transparent manner. Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. The Company believes that sound Corporate Governance is critical for enhancing & retaining the trust of the stakeholders. The Company believes that, in whatever it does, it must contribute to the economic and social development of the country. Your Company practices a culture that is based on core values and ethics.

The Company has complied with the conditions of Corporate Governance as given below:

• Board of Directors

The strength of the Board was eight Directors comprising of one Chairman-cum-Managing Director, two Functional Directors, two Nominee Directors of the Government of India and three non-official part-time Directors. All the Directors are professionals from diverse fields having valuable experience in management, legal, administration and finance.

The meetings of Board of Directors were held at periodical intervals. During the year under review, ten Board meetings were held on 29th April,2011, 6th June,2011, 11th July,2011, 2nd August,2011, 2nd September,2011, 4th November,2011, 8th December,2011, 17th January,2012 and 26th March,2012.

The details of constitution of the Board and the number of directorships held in other Companies as on 31st March, 2012, and their attendance at the Board Meetings and Annual General Meeting held during the year, are given below:

S. No.	Name of the Director	Category	No. of Board meetings attended	Attendance at the AGM held on 2 nd Aug.,2011	No. of outside director -ships
1.	Dr. H.P. Kumar Chairman-cum- Managing Director	Executive	10	Yes	-
2.	Shri Amarendra Sinha	Government nominee	9	-	Two
3.	Shri R.K. Manchanda *	Government nominee	6	-	-

4.	Shri Rakesh Rewari	Non-Executive Independent	8	Yes	-
5.	Shri Ravindra Nath	Executive	10	Yes	-
6.	Sh. P. Udayakumar	Executive	10	Yes	-
7.	Shri Rajiv Chawla	Non-Executive Independent	9	Yes	Four
8.	Shri Sirajuddin Qureshi	Non-Executive Independent	1	-	Twenty Five (Includes twenty Pvt. Ltd. Cos.)

* Shri R. K. Manchanda was on the Board till 17th January, 2012

▪ **Audit Committee**

The members of the Audit Committee are Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Sirajuddin Qureshi.

The Audit Committee met five times during the year.

▪ **Remuneration Committee**

The members of the remuneration committee are Shri Rajiv Chawla, Shri Rakesh Rewari and Shri Sirajuddin Qureshi.

Our Company being a Government Company, the appointment, tenure and remuneration of Directors is decided by the President of India. The remuneration paid to Chairman-cum-Managing Director and Functional Directors during the year 2011-12 was as per terms and conditions of their appointment. Independent Directors are paid only sitting fee at a rate fixed by the Board within the ceiling fixed under the Companies Act, 1956 and also in accordance with the Government guidelines for attending the Board Meetings as well as Committee Meeting's. The Government Nominee Directors do not draw any remuneration / sitting fee for Board / Committee Meetings from the Company.

▪ **Disclosure**

Related Party Transactions

The Company does not have any related party transactions, which may have potential conflict with its interests.

- **Code of Ethics and Business Conduct**

As per the Corporate Governance Guidelines Corporation has issued "Code of Ethics and Business Conduct" for compliance and has also posted the same on the website of the Company.

- **Statutory Requirements**

Section 274(1)(g) of the Companies Act, 1956 is not applicable to the Government Companies. However, none of the Directors of your Company is disqualified as per provisions of Section 274 (1) (g) of the Companies Act, 1956. Your Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956. None of the employees of your Company drew remuneration exceeding the limits laid down under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

- **Training and evaluation of non-executive Board members**

The non-executive Board members are eminent personalities having wide experience in the field of business, education, industry, commerce and administration. Detailed presentation on the business module, performance, plans etc of the Corporation are made to the non-executive Board members, on their induction on the Board.

- **Details of compliance with the requirements of DPE Guidelines on Corporate Governance**

The requirements of the DPE Guidelines on Corporate Governance for CPSEs have been duly complied with by the Company. In this regard, certificate from M/s. A.K. Singh & Associates, Company Secretaries, Practicing Company Secretaries, confirming compliance with the conditions of Corporate Governance as stipulated under DPE Guidelines on Corporate Governance is annexed.

Annexure to Directors Report

Management Discussion & Analysis

Presented below is the analysis of the performance of the Corporation for the year 2011-12 :

▪ Business Overview

During the year 2011-12, the turnover of the Corporation was Rs.11, 137 crore as compared to Rs.7979 crore in the previous year registering a growth of 40%.

Raw Material Distribution, in quantitative terms, grew up by 31% to 6,84,976 MTs in 2011-12 from 5,24,534 MTs in 2010-11. The Portfolio of Raw Material Assistance against Bank Guarantee reached Rs.1573 crore on 31st March, 2012 as against Rs. 983 crore on 31st March,2011, thereby registering a growth of 60%.

The credit facilitation to Micro, Small & Medium Enterprises increased to Rs. 3824 crore from Rs. 2349 crore during the previous year registering a growth of 63%. The Revenue from the schemes of Government Purchase and B2B Portal increased by 122% and 8% respectively over previous year.

▪ Financial Performance

The major highlights of the financial performance of the Corporation vis-à-vis last year are as follows:

	(Rs. in Crore)	
Description	2011-12	2010-11
Business Turnover	11,137	7979
Total Income (A)	1347	993
Expenditure:-		
Purchases	1034	772
Employees Remuneration & Other Benefits	68	56
Depreciation	2	2
Finance & other Charges	183	128
Total Expenditure(B)	1287	958
Net Profit Before Tax (A-B)=C	60	35

Provision for Income Tax (D)	19	5
Net Profit after Tax available for appropriations(C-D)=E	41	30
Proposed Dividend (F)	8	6
Tax on Proposed Dividend (G)	1	1
Balance of Profit available for appropriations (E-F-G)	32	23
Net Worth	313	131
Earning Per Share (EPS) Basic/Diluted (Amount in Rs.)	17.50	12.78

- **Dividend**

The Corporation has recommended dividend of Rs. 824.23 lac for the year 2011-12.

- **Segment-wise Performance**

In line with AS-17 on "Segment Reporting" issued by the Institute of Chartered Accountant of India, Corporation's activities are broadly classified into 'Promotional' and 'Commercial'. The 'Promotional' activities include the activities for which budgetary support is provided to the Corporation by the Government and / or its agencies.

The 'Commercial' activities inter-alia include the activities whereby the Corporation provides 'Marketing', 'Credit', 'Technology' and 'other support' services to cater to the diverse needs of the MSMEs. These 'Integrated' support services are funded by the Corporation. In addition activities not met out of the budgetary support but which are promotional in nature (since carried out with the intent to support the MSMEs) are merged with commercial activities as the expenses of such activities are borne by the Corporation. Accordingly, the activities of the Corporation have been divided into two segments namely "Commercial" & "Promotional".

The following table presents the revenue, profit/(loss), assets and liabilities information to the Business segments for the year ended 31st March, 2012 :

(Rs. in Lac)

Description	For the year ended 31/03/2012			For the year ended 31/03/2011		
	Promotional	Commercial	Total	Promotional	Commercial	Total
A. Primary Segment – Business Segment						
I. SEGMENT REVENUE						
a. Segment Revenue (including grant)	#6190.06	128498.73	134688.79	#5509.80	93801.29	99311.09
II. SEGMENT RESULTS						
a. Segment Results @	(117.74)	4238.88	4121.14	(4.35)	2982.77	2978.42
b. Operating Profit before interest	-	15150.30	15150.30	-	8009.55	8009.55
c. VRS & prior period	-	(2.19)	(2.19)	-	2.82	2.82
d. Interest Paid	-	9131.35	9131.35	-	4489.81	4489.81
e. Net Profit before Tax	-	6021.14	6021.14	-	3516.92	3516.92
f. Tax	-	1900.00	1900.00	-	538.50	538.50
g. Net Profit after Tax	-	4121.14	4121.14	-	2978.42	2978.42
III. ASSETS & LIABILITIES						
a. Segment Assets	1272.56	149805.38	151077.94	1130.11	95583.56	96713.67
b. Unallocated Assets	-	-	25905.77	-	-	26665.92
c. Total Assets	1272.56	149805.38	176983.71	1130.11	97022.77	123379.59
d. Segment Liabilities	5044.46	115904.49	120948.95	2671.09	94888.28	97559.37
e. Unallocated Liabilities	-	-	56034.76	-	-	25820.22
f. Total Liabilities	5044.46	115904.49	176983.71	2671.09	88423.41	123379.59
IV. OTHER INFORMATION						
(a) Cost incurred during the period to acquire fixed assets (including CWIP)	229.25	1763.98	1993.23	69.64	2983.55	3053.19
(b) Depreciation ##	86.76	180.67	267.43	86.03	158.54	244.57
(c) Non cash expenditure other than depreciation	-	402.20	402.20	-	712.97	712.97

This includes grant receivable (net) of (-) Rs 2122.79 Lacs (Rs.152.12 Lacs).

@ Deficit of promotional activity transferred to commercial activity segment.

The depreciation of promotion segment is charged to capital reserve.

▪ **SCOT Analysis**

(a) Strengths:

- NSIC is a national level organization with in depth knowledge of MSME sector and having presence in over 148 locations in the country, backed by a team of professionals.
- The Corporation offers integrated package of services, ranging from financial support, marketing, technology and information support to micro, small & medium enterprises.
- The Corporation has strong linkages with micro, small & medium industry organizations / associations within the country and several partner organizations overseas for development of MSME sector.
- The considerable asset base of the Corporation gives it an added advantage for expansion of its activities. The Corporation has proven track record in the area of international cooperation in MSME Sector development and institutional capacity building.

(b) Challenges:

- A small Resource Base as compared to other institutions providing services to MSME Sector.
- The Accumulated Losses have depleted the net worth of the company.
- Sale of old defaults to Asset Reconstruction/ Management Company.
- Need for allocation of materials by bulk manufacturers.
- Non Recognition of NSIC'S registration certificate issued under 'Single Point Registration' Scheme by various Government Departments /Institutions.
- Implementation of 'Procurement Preference Policy for MSEs' by the Government to increase MSEs' contribution to Government purchases.

(c) Opportunities:

- There is vast potential for its services within the country and abroad.
- New avenues in "Service & Medium Sector".

- Many new avenues have come up in the "Services and Medium sector. International cooperation, Technology Transfer & International Consultancies to developing countries.
- Availability of physical assets for development of new projects.

(d) Threats

- State Governments preference to state agencies over NSIC, for raw material distribution.
- Competition from other national and state level institutions in the areas of marketing, technology support and financing pose a threat to the core activities of the Corporation.
- Inadequate credit flow from commercial banks to MSME sector, specially to new and start-up enterprises.
- Entry of large players due to globalization poses challenges for MSME sector.

▪ Management Information System (MIS)

MIS in the company is being constantly fine tuned to cater to the ever growing information needs for effective & quick decision making as well as for statutory requirements.

▪ Internal Control Systems

The company has put in place adequate internal control measures. These are in the form of various manuals and procedures issued by the management covering all critical and important activities. These manuals and procedures are updated from time to time and are subject to strict compliance which is monitored by internal audit. The Internal Audit department checks the adequacy and effectiveness of Internal Control System, reviews and monitors compliance of various policies and procedures. Functioning of internal Audit and adequacy of internal control system is reviewed by Board Level Audit Committee.

▪ Human Resource

The manpower strength of the Corporation as on 31st March 2012 was 896. Human Resource is the main asset of the company and it has been its endeavour to create favorable work environment for growth, enhancement of competencies, nurturing talent so as to maximize employee contribution towards organizational objectives. For this purpose, various training programmes were conducted, wherein internal and external faculty imparted training on various

topics. In addition to this, employees were nominated for various training programmes.

- **Code of Ethics and Business Conduct**

The Corporation has issued Code of Ethics and Business Conduct for compliance by its employees and Board of Directors.

- **Risks & Concerns**

The Corporation regularly identifies and reviews the risks which can be the outcome of regular business activities and takes appropriate steps from time to time to mitigate these risks. The management is committed to further strengthen risk management capabilities in order to protect and enhance shareholders value. In order to ensure the integration and alignment of the risk management system with the corporate and operational objectives and also that risk management is undertaken as a part of normal business practice and not as a separate at set times, the Corporation has devised the "Risk Management Policy"

The Corporation can have risks in the form of change in the Government policies towards MSME sector and from the natural calamities.

- **Future Outlook**

NSIC's sustained growth in the last few years is testimony to its organizational vitality, its capacity to remain relevant and contemporary, its ability to fulfill the expectations of the stakeholders. In the years to come, the primary focus will be to create new verticals for the growth of MSME sector.

The Corporation is increasing its reach by opening offices / godowns at new locations and adding new industrial raw materials to serve larger number of MSMEs. These efforts are envisaged to further enhance the services of Corporation to the MSME Sector.

- **Cautionary Statement**

Statements in Management Discussion and Analysis describing the Company's objectives, projections, expectations, estimates are based on current business environment. Actual results could differ from those expressed or implied based on government policy decisions and future economic environment.