

## **DIRECTORS' REPORT**

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

### **Dear Shareholders**

On behalf of the Board of Directors of your Corporation, I have great pleasure in welcoming you to the 59<sup>th</sup> Annual General Meeting of the NSIC Ltd. The Annual Report and Audited Statement of Accounts for the financial year ended 31<sup>st</sup> March, 2014, together with comments of the Comptroller & Auditor General of India on the Accounts of the Corporation have been forwarded to you and with your permission, I take them as read.

### **1.0 Operating Performance**

Financial year 2013-14 was yet another landmark year for the Corporation. The overall business for the year reached Rs.17,44,463 lac as against Rs. 13,90,134 lac in the previous year thereby posting a growth of 25%. The Corporation commences a new chapter in terms of its 'financials' as its accumulated losses got wiped out. A surplus of Rs. 2,793.28 lac appears in the Balance Sheet as on 31<sup>st</sup> March,2014 as against the accumulated loss of Rs. 2,838.54 lac as on 31<sup>st</sup> March,2013.

Some of the highlights of achievements for the year 2013 - 14 are as follows:

- 1.1 The Gross Sales of the Corporation for 2013-14 went up to Rs. 1,75,432 lac as compared to Rs.1,20,966 lac in the previous year registering a growth of 45%. The Gross Margin of the Corporation for 2013-14 went up to Rs. 27,750 lac as compared to Rs. 22,567 lac in the previous year registering a growth of 23%.

### **1.2 Profitability**

The Corporation earned Net Profit Before Tax of Rs.11,470.99 lac against Rs.9,235.50 lac during the last year. The gross margin and profit before & after tax earned by the Corporation during 2013-14 vis-à-vis 2012-13 is as under:

<b>Particulars</b>	<b>(Rs. in Lac)</b>	
	2012-13	<b>2013-14</b>
Gross Margin	22,567.09	<b>27,750.25</b>
Net Profit before Tax	9,235.50	<b>11,470.99</b>
Less : Provision for Tax	3,000.00	<b>3,877.19</b>
Net Profit after tax	6,235.50	<b>7,593.80</b>

### 1.3 Raw Material Assistance

Amongst the diverse requirements of MSMEs, steady and timely availability of raw material assumes great significance. Accordingly, the Corporation while providing integrated support services to MSMEs, the activity of 'Raw material Distribution' is being given greater importance under Marketing Support Programme. Timely & adequate supply of Raw Material to MSMEs at competitive rates empowers them to be globally competitive & viable.

NSIC serviced the raw materials requirements of Micro Small & Medium Enterprises (MSMEs) by supplying Iron & steel allocated through Ministry of Steel, Government of India, Aluminum from NALCO & BALCO, Paraffin Wax from CPCL & IOCL, Coal from Coal India Ltd., and Polymer Products i.e. PP, HDPE & LLDPE from IOCL. Copper material from Sesa Sterlite has been added to the Raw Material Distribution during the year 2013-14.

Credit support of Rs. 4,84,321 lac was provided for Raw Material Procurement to MSMEs against Rs. 4,14,834 lac during the previous financial year, registering growth of 17%. The total raw material distribution was to the tune of 8,74,266 MT as against 7,83,309 MT during last financial year, registering a growth of 12%.

In addition to this, the Corporation opened six distribution Centres for supply of raw material during 2013-14 in addition to the existing 77 distribution centres.

### 1.4 Credit Facilitation

Credit facilitation by NSIC to Micro, Small & Medium Enterprises increased to Rs. 5,18,559.71 lac from Rs. 4,39,202.23 lac during the previous year, registering a growth of 18%. During the year 2013 - 14, agreements were signed with four more Banks i.e. Syndicate Bank, State Bank of India, ICICI Bank and Canara Bank. With this, the Corporation has now tie-up arrangements with 25 banks for providing credit facilitation to the MSME sector.

### 1.5 **Government Purchase and Infomediary Services**

The revenue from membership under the schemes of Government Purchase and Infomediary Services increased to Rs. 1,437.40 lac in the year 2013-14 from Rs. 1,241.47 lac in 2012-13, thereby posting a growth of 16% over the previous year.

### 1.6 **NSIC – Technical Services Centres**

The revenue earned from “Training activities” and “Common facilities” by NSIC – Technical Services Centres increased to Rs. 1,393.48 lac in the year 2013-14 from Rs. 1,061.19 lac in 2012-13, registering a growth of 31% over the previous year.

### 1.7 **Other services offered to MSME Sector**

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

#### **Promoting International Trade through NSIC’s E-Marketing Web Portal**

NSIC has enhanced its existing B2B Web Portal into an Integrated E-Marketing Web Portal [www.msmemart.com](http://www.msmemart.com) which is not only useful for generation of leads for expanding businesses but it is the most economical and fastest medium for brand creation, recognition of small enterprises and marketing of their producers.

#### **NSIC-Training-cum-Incubation Centres (NSIC-TICs) for creating new entrepreneurship**

NSIC with a view to create self-employment opportunities by imparting training to the unemployed people who want to set up new small business enterprises in any of the manufacturing / services sectors or seek employment opportunities set up TICs at few places on pilot basis to provide a unique opportunity to first generation entrepreneurs to acquire skills for enterprise building and also incubating them to become successful small business owners. At these centres, exposure in all areas of business operations is being provided such as business skills development, identification of appropriate technologies, hands on experience on working projects, financial linkages etc.

The scheme is also being operated under PPP [Private Public Partnership] mode where private partners are associated with NSIC. Corporation offers technical & other support services to associated TICs with a view to achieve the objectives of the programme. In the year 2013-14, thirteen more new centers were operationalized.

### **International Co-operation**

Under International Cooperation, the focus of activities at the enterprise level is on the entrepreneurs and the objective is to initiate long term and sustainable enterprise to enterprise cooperation between Indian small enterprises and enterprises in target countries. This is achieved by exchanging business delegations and organizing one-on-one business meetings among the enterprises of both the countries.

## **1.8 Implementation of Government Schemes**

The Corporation operated following schemes on behalf of the Government of India:

- Performance & Credit Rating Scheme for Micro & Small Enterprises, wherein 24,886 units were rated during the year as against the target of 20,000.
- Marketing Assistance Scheme, wherein 1,021 events were held / participated (including nine international level exhibitions organised) to support marketing efforts of MSMEs under this scheme. During the year, NSIC organised 09 international level exhibitions, participated in 14 International exhibitions abroad and 153 domestic exhibitions, co-sponsoring of 18 events, conducted 84 Buyer Seller meets and 743 marketing campaigns. The trademark exhibition of the Corporation "Techmart India" was organised during November, 2013.
- **"Techmart India, 2013"** : NSIC's premier exhibition wherein MSMEs from all over India showcase their products and technologies, which provides a comprehensive view of opportunities in terms of marketing or creating sustainable business alliances in this sector. 540 MSEs displayed their technologies & products from all over the country this also includes Virtual display on LED screen installed by NSIC.

Major attraction of this exhibition was the display of products manufactured by units of North Eastern States and a Virtual Display of exhibitors.

Foreign delegates from South Africa, Afghanistan, Ethiopia, Senegal & Burkina Faso visited Techmart India, 2013 and showed keen interest in the technologies displayed in Techmart.

- **International Trade Fair in North East:** NSIC organised International Guwahati Trade Fair in association with Industries & Trade Fair Association of Assam at Guwahati. In this fair, ten foreign countries and ninety nine participants from Assam, Manipur, Mizoram, Meghalaya, Nagaland, Kolkata, Jammu & Kashmir & Odisha exhibited their products and services.
- **MSME DEFEXPO, 2013:** NSIC organised an International Sub-contracting and Supply chain exhibition on Defence, Aerospace and Homeland Security from 12<sup>th</sup> - 14<sup>th</sup> December, 2013 at Bangalore. The event was supported by Ministry of Defence (GOI), Ministry of MSMEs (GOI), Indian Air Force and Government of Karnataka. This is a unique event which provides the perfect platform for companies to promote their products and services to domestic and international companies of Defence, Aerospace and Homeland Security areas.

MSME Defexpo, 2013 received overwhelming response with over 200 MSMEs participating as exhibitors and 500 plus B2B meetings were scheduled. Foreign Defence manufacturing companies like Arsenal, Raytheon, Pilatus, Bae S`ystems and the major Defence Public Sectors of the country participated in the event.

- **Odisha MSME International Trade Fair**

NSIC and MSME Department, Govt. of Odisha organized the Odisha MSME International Trade Fair-2014 from 1<sup>st</sup> - 7<sup>th</sup> January, 2014. In the trade fair 254 units participated from this 40 units displayed mechanical technologies which proved to be the major attraction of the trade fair. These machineries were new to the entrepreneurs of the state, which encouraged them to imbibe those into their industry. Besides MSMEs from Odisha, participants from different parts of the country such as Haryana, North East, Delhi, Uttar Pradesh, West Bengal, Jharkhand, Tamil Nadu, Gujarat, Karnataka, displayed their products and technologies. Number of handicraft units from Jharkhand, West Bengal and North - East displayed their

products showcasing their culture and traditional products. Apart from MSMEs, corporate sector companies like SAIL, Mahanadi Coalfields Ltd., NALCO, Paradip Port Trust, Tata Steel, Hindustan Aeronautics, Ordnance Factory, Garden Reach Shipbuilders & Engineers, JK Paper Ltd., Orissa Mining Corporation, Odisha Tourism, Hindustan Copper Ltd. & IOCL also took part in the event.

## **2.0 Dividend**

As per guidelines from Ministry of Finance, Government of India vide their O.M. No. F. No. 7(5)/E-Coord./2004 dated 24<sup>th</sup> Sept., 2004, 20% of the net profit after tax (i.e. 20% of Rs. 7,593.80 lac) has been provided for in the books of accounts as dividend i.e. Rs. 1,518.76 lac.

It is pertinent to mention that the dividend provided for the year i.e. Rs. 1,518.76 lac shows an increase of 22% over dividend of Rs. 1,247.10 lac for 2012-13.

The provision for dividend for 2013-14 is subject to approval by the shareholders.

## **3.0 Management Discussion & Analysis**

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

## **4.0 NSIC's services in North Eastern Region (NER)**

- 4.1 NSIC has a network of offices in NER. This includes Branch Office at Guwahati and Sub-Offices at Tinsukia (Assam), Imphal (Manipur); Dimapur (Nagaland); Itanagar (Arunachal Pradesh); Shillong (Meghalaya) and Agartala (Tripura).
- 4.2 During the year thirty Skill Development Training 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 were sponsored by Guwahati Municipal Council, Indian Oil Limited. NSIC Guwahati also conducted two Entrepreneurship Orientation Programmes (EOP) for the students of different colleges in North East States.

## 5.0 Equity Support

As recommended by the Prime Minister's Task Force on MSMEs, Government had sanctioned Equity infusion of Rs. 30,000 lac in the Corporation to be released in three tranches. The final tranche of equity amounting to Rs.7000 lac was received during the year 2013-14.

## 6.0 Capital Structure & Borrowings

The Paid-up-Capital of the Corporation went upto Rs. 53,298.80 lac as on 31.03.2014 (including Rs. 7,000 lac share Application Money pending allotment).

Loans from financial institutions and banks went upto Rs.1,82,690.48 lac at the end of 2013-14. Repayment of installments and interest due till 31<sup>st</sup> March, 2014 in respect of all loans were made on the due dates.

## 7.0 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. A sum of Rs. 1.82 lac was received as dividend during the year 2013-14 from M/s. Singer India Ltd.

## 8.0 Fixed Deposit Scheme

Your Corporation has not accepted any Fixed Deposits and as such no amount of principal or interest was outstanding as on 31<sup>st</sup> March, 2014.

## 9.0 Human Resource Management

9.1 The total manpower of the Corporation as on 31<sup>st</sup> March, 2014 was 881 as against 899 in the previous year.

The break-up of the manpower was as follows:

S. No.	Description	As on <b>31.03.2014</b>	As on 31.03.2013
1.	Managerial	<b>498</b>	451
2.	Supervisory	<b>139</b>	192
3.	Non-Supervisory	<b>244</b>	256
	<b>Total</b>	<b>881</b>	899

## 9.2 Staff Training

Training is the process of enhancing the skills, capabilities and knowledge base of the employees. Training is crucial for organizational development and success. Keeping in view, the training requirements, Corporation organized various training programmes for different levels of personnel. During the year 2013-14, 27 major in-house training programmes were organised.

## 10.0 Personal and Industrial Relations

During the year 2013-14, very good and affable personnel and industrial relations were continued with various Employees Unions of the Corporation. There was no gate meeting and strike. Meetings were held with Unions from time to time to discuss various issues and to resolve them amicably. As a result thereof, harmonious industrial relations were maintained.

## 11.0 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.

## 12.0 Representation of SCs, STs & Minorities

The directives of the Government issued from time to time with regard to the reserved categories such as Schedule Castes, Schedule Tribes, Other Backward Classes, Disabled persons are being followed by the Corporation. 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 and displayed on the intranet. Further, the employees belonging to SC/ST category in Group C & D posts are given relaxation of two years in case of acquiring the prescribed professional qualifications, which is applicable to all employees irrespective of the category they belong to.

The number of SCs, STs, OBCs, persons with Disability and Minorities in the Corporation as on 31<sup>st</sup> March, 2014 are as under:

Schedule Castes	165
Schedule Tribes	22
Other Backward Classes	113
Persons with Disability	22
Minorities	81
<b>Total</b>	<b>403</b>

### **13.0 Procurement Policy for MSEs**

The value of goods and services procured for internal consumption from Micro & Small Enterprises during the year was Rs. 1,726.73 lac.

### **14.0 Vigilance Activities**

Vigilance is basically and admittedly a part of managerial function. Vigilance department works in cooperation with other divisions / units of the Corporation at all levels. Besides, the vigilance department also coordinates with CVC, CBI and other related outside 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 to fulfil the objective.

The Vigilance department not only assists the management in punishing the unscrupulous employees for their 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.

During the year 2013-14, a "Vigilance Awareness Week" was observed from 28.10.2013 to 02.11.2013 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.

The Immovable Property Returns of all officers of "A" & "B" category of the Corporation were obtained and action taken as felt necessary based on their scrutiny.

Required reports and returns were also submitted to concerned Ministry and CBI / CVC. The CVC advices, as and when received, were processed as per directions of CVC.

A close liaison was kept with outside agencies investigating the cases of financial irregularities and 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.

## **15.0 Corporate Social Responsibilities & Sustainable Development**

A separate report on Corporate Social Responsibility & Sustainable Development forms part of the Annual Report and is annexed.

### **15.1 Research & Development**

The Research & Development activities carried out in the year by conducting studies (i) To assess impact of Chinese imports on MSMEs in Bi-cycle parts industry and Toy industry and to suggest remedial measures for corrective action, (ii) Technology Gap assessment in Packaging techniques in MSME sector and to suggest remedial measures for corrective action and (iii) Upgradation of testing facilities in line with NABL requirement at NTSC, Okhla, New Delhi.

### **16.0 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 Corporation.

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

NSIC signed a MoU with the Ministry of Micro, Small and Medium Enterprises for the year 2014-15.

The Corporation's rating based on the results for the year 2013-14 would be "Excellent".

### **18.0 Rajbhasha**

With a view to ensure the progressive use of Hindi in the Corporation, implementation of the provisions of Official Language Act, 1963, rules framed there under and the compliance of the directives of the Central Government issued from time to time were continued to be observed during 2013-14. In addition, following special activities were carried out during the year so as to ensure the more progressive use of Hindi in the Corporation:-

- “Hindi Diwas” was observed in September, 2013 and at this occasion a special Hindi meeting was organized in Head office on 16 September, 2013. In this meeting, a demo was given for installation of Unicode Hindi Mangal Font, its operation and Hindi Shrutlekh Software (Hindi Speech to Text) manufactured by Department of Official Language through C-DAC, Pune. From 14<sup>th</sup> September to 13<sup>th</sup> October, 2013 “Hindi Month” was observed in Corporation's Head Office as well as in its subordinate offices. During the month, various Hindi competitions were organized and the awards were given by CMD to the winning participants.
- By making the annual programme for Official Language Inspections, inspections of 06 divisions of the Corporation's Head Office and 15 subordinate offices were conducted during the year.
- After ensuring the Hindi working knowledge of 80% or more employees of subordinate offices, 4 Branch offices were got notified under Rule 10(4) of Official Language Rules, 1976.
- Hindi workshops were organized from time to time in which the officers / employees were trained to work in Hindi. Besides, Official Language awareness programmes/Hindi workshops were also conducted in subordinate offices during the course of their Official Language inspections.
- For the operation of Unicode encoding Hindi Font Mangal, two full day training programmes were organized for the employees of Corporation.
- More than 50% amount out of the total amount earmarked for purchase of books was incurred for purchase of Hindi books.
- Official Language inspections of NSIC- Technical Service Centre, (NTSC) Okhla, New Delhi and NSIC Branch office, Ahmadabad were made by the Third Sub-committee of Parliamentary Committee on Official Language on 26<sup>th</sup> September,2013 and 23<sup>rd</sup> January,2014 respectively. These inspections were very successful.

With the above activities, the use of Hindi was increased in the Corporation considerably.

## **19.0 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.

## **20.0 Foreign Exchange**

During the year 2013-14, the Corporation earned foreign exchange valuing Rs. 238.39 lac from activities abroad.

## **21.0 Board of Directors**

The Board of Directors of the Corporation met eight times during the year. Seven Audit Committee Meetings, six meetings of Corporate Social Responsibility Committee and one meeting each of Board Sub-Committee for Write Off and Remuneration Committee were held.

## **22.0 Audit Committee**

- The members of the Audit Committee were Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Sirajuddin Qureshi, all Independent Directors. Shri Rajiv Chawla's and Shri Sirajuddin Qureshi's Directorship ceased from 26<sup>th</sup> June, 2013. Therefore, the Audit Committee was re-constituted from 26<sup>th</sup> June, 2013 and members of Audit Committee were Shri Rakesh Rewari, Shri Amarendra Sinha and Shri C.K. Mishra.
- Shri C.K. Mishra ceased to be Director from 27<sup>th</sup> Sept., 2013 therefore, the Audit Committee was again re-constituted on 27<sup>th</sup> Sept., 2013, now the members of the Audit Committee are Shri Rakesh Rewari, Shri S.N. Tripathi and Shri Rajiv Chawla who was re-appointed as Director on 24<sup>th</sup> Sept., 2013.
- The Board Audit Committee met seven times during the year.

## **23.0 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 Corporation at the end of the financial year and of the profit or loss of the Corporation 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 for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities.
- d. that the Directors prepared the Annual Accounts for the year ended on 31<sup>st</sup> March, 2014 on a 'going concern basis'.

#### **24.0 Corporate Governance**

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

#### **25.0 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, 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, 2014 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.

#### **26.0 Acknowledgements**

The Board of Directors wish to place on record their gratitude to the Hon'ble Minister of Micro, Small & Medium Enterprises (MSME) for all the help, guidance, and support provided. The Board wishes to place on record its appreciation for the guidance provided by the Secretary, Ministry of MSME. The Directors also wish to place on record their thanks to the AS&FA for his continued support. The

Board is appreciative for the support received from the Ministry of Micro, Small & Medium Enterprises and from other Ministries and Government of India.

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 its Bankers.

The Board of Directors hereby accord their deep appreciation of the valuable services and dedicated efforts of the NSIC employees at all levels.

On behalf of the Board of Directors

Place : New Delhi  
Date : 19<sup>th</sup> August,2014

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

## Management Discussion & Analysis

Presented below is the analysis of the performance of the Corporation for the year 2013-14 :

### ▪ **Business Overview**

The Gross Sales of the Corporation for 2013-14 went up to Rs. 1,75,432 lac as compared to Rs. 1,20,966 lac in the previous year registering a growth of 45%.

The Gross Margin of the Corporation for 2013-14 went up to Rs.27,750 lac as compared to Rs. 22,567 lac in the previous year registering a growth of 23%.

The Gross Income (net of purchases and grants) of the Corporation for 2013-14 went upto Rs. 41,804 lac as against Rs. 34,176 lac in 2012-13 registering a growth of 22%.

The Portfolio of Bank Guarantee for providing credit support reached to Rs. 2,59,574.59 lac on 31<sup>st</sup> March, 2014 as against Rs. 2,06,858.40 lac on 31<sup>st</sup> March, 2013, thereby registering a growth of 25%.

The credit facilitation of Rs. 5,18,559.71 lac was made during the year to Micro, Small & Medium Enterprises as against Rs. 4,39,202.23 lac during the previous year registering a growth of 18%.

The Revenue from membership under the schemes of Government Purchase and Infomediary Services increased to Rs. 1,437.40 lac in the year 2013-14 from Rs. 1,241.47 lac in 2012-13, thereby posting a growth of 16% over the previous year.

- **Financial Performance**

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

	(Rs in Lac)	
Description	2013-14	2012-13
<b>Gross Income</b> (Net of Sales / Purchase) <b>(A)</b>	<b>51,863</b>	42,786
<b>Expenditure:-</b>		
Employees Remuneration & Other Benefits	<b>8,428</b>	7,612
Depreciation	<b>219</b>	208
Finance & other Charges	<b>31,745</b>	25,731
<b>Total Expenditure(B)</b>	<b>40,392</b>	33,551
<b>Net Profit Before Tax (A-B)=C</b>	<b>11,471</b>	9,235
Provision for Income Tax (D)	<b>3,877</b>	3,000
<b>Net Profit after Tax available for appropriations (C-D)=E</b>	<b>7,594</b>	6,235
Proposed Dividend (F)	<b>1,519</b>	1,247
Tax on Proposed Dividend (G)	<b>258</b>	212
Transfer to Risk Fund	<b>185</b>	163
<b>Balance of Profit available for appropriations (E-F-G)</b>	<b>5,632</b>	4,613
<b>Net Worth</b>	<b>56,092</b>	43,460

- **Dividend**

The Corporation has recommended dividend of Rs. 1518.76 lac for the year 2013-14.

- **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 31<sup>st</sup> March, 2014:

(` in Lac)

Description	For the year ended 31/03/2014			For the year ended 31/03/2013		
	Promotional	Commercial	Total	Promotional	Commercial	Total
<b>A. Primary Segment – Business Segment</b>						
<b>I. SEGMENT REVENUE</b>						
a. Segment Revenue (including grant)	#10531.81	209880.48	220412.29	#8826.33	149284.02	158110.35
<b>II. SEGMENT RESULTS</b>						
a. Segment Results @	(0.05)	7593.85	7593.80	(42.30)	6277.80	6235.50
b. Operating Profit before interest		27550.08	27550.08		22441.76	22441.76
c. VRS & prior period		19.28	19.28		82.99	82.99
d. Interest Paid		16287.35	16287.35		13123.27	13123.27
e. Net Profit before Tax		11470.99	11470.99		9235.50	9235.50
f. Tax		3877.19	3877.19		3000.00	3000.00
g. Net Profit after Tax		7593.80	7593.80		6235.50	6235.50
<b>III. ASSETS &amp; LIABILITIES</b>						
a. Segment Assets	1173.31	246317.77	247491.08	1239.26	199037.16	200276.42
b. Unallocated Assets			17284.24			16060.81
c. Total Assets	1173.31	246317.77	264775.32	1239.26	199037.16	216337.23
d. Segment Liabilities	1524.62	187795.98	189320.60	2462.65	151357.39	153820.04
e. Unallocated Liabilities			75454.72			62517.19
f. Total Liabilities	1524.62	187795.98	264775.32	2462.65	141238.05	216337.23
<b>IV. OTHER INFORMATION</b>						
(a) Cost incurred during the period to acquire fixed assets (including CWIP)	5.56	373.14	378.70	54.69	312.35	1527.91
(b) Depreciation ##	71.50	219.45	290.95	75.91	208.32	284.23
(c) Non cash expenditure other than depreciation		451.26	451.26		310.71	310.71

# This includes grant receivable (net) of (-)` 1485.56 Lacs (-)` 1700.16 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 the huge knowledge base about working of MSME sector and having presence all over the country by having offices in 154 locations. All the offices are manned by 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 linkages with micro, small & medium industry organizations / associations within the country and several partner organizations overseas for development of MSME sector in the country.
    - The Corporation has proven track record in the area of international cooperation in MSME sector development and institutional capacity building.
    - The considerable asset base of the Corporation gives it an added advantage for expansion of its activities.

- (b) Challenges:**

- A small Resource base as compared to other institutions providing services to MSME Sector.
    - Notification and implementation of 'Procurement Preference Policy' for MSEs by the Government to increase participation of Micro & Small Enterprises in Government purchases.
    - Non-availability of the status of "Priority Lending" earlier given by Reserve Bank of India.

- (c) Opportunities:**

- There is vast potential for services being offered by NSIC to MSMEs within the country and abroad.
    - Emergence of new futuristic areas like Defence, logistics etc.
    - Availability of physical assets for development of new projects.

#### **(d) Threats**

- 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.
- State Governments preference to state agencies over NSIC, for raw material distribution.
- Entry of large players due to globalization poses challenges for MSME sector.
- Inadequate credit flow from commercial banks to MSME sector, specially to new and start-up enterprises.

#### **▪ Management Information System (MIS)**

MIS in the Corporation is well established. It is constantly fine tuned to cater to the ever growing information needs for effective & quick decision making as well as for ensuring statutory compliances.

#### **▪ Internal Control Systems**

The Corporation 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 ensured 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 31<sup>st</sup> March, 2014 was 881. Human Resource is the main asset of the Corporation 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 external 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"

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

- **Future Outlook**

The Corporation has been recording continuous growth in its business operations. This is due to the excellent business models and prompt services provided at the door step of the entrepreneurs.

For further increasing its geographical reach, Corporation plans to open new offices in the areas un-represented in order to provide enhanced level of services to MSMEs. These initiatives would help in increasing the business volumes and profitability of the Corporation.

- **Cautionary Statement**

Statements in Management Discussion and Analysis describing the Corporation'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.

**Corporate Social Responsibility –**  
“to fulfill the responsibility of doing good”

NSIC is not just achieving their economic goals, but also, fulfilling its responsibility of doing good”. Being a socially responsible, Corporation has always tried to build a synergy between its business and society. The good that a Corporation must do is define its philosophy of Corporate Social Responsibility (CSR). CSR encompasses the ideas of corporate governance, sustainable wealth creation, and advocacy for the goals of the community.

NSIC believes that the battle for inclusive growth must be fought collectively with all our resources and in partnership. If we fail to act today, we are at the risk of endangering the well-being of generations to come. Action springs not from thought, but from a readiness for responsibility.

NSIC has adopted a CSR Policy in line with the CSR Guidelines issued by the Department of Public Enterprises.

The Corporation’s CSR Policy covers welfare measure for the empowerment of under privileged section of the community as a whole.

NSIC designed widespread CSR applications in all major states of the Country in diverse fields especially with regard to rural populace, underprivileged and specially challenged persons.

The major thrust is being given in need specific sectors like education, health, disability, capacity building for women and the expansion of human capabilities.

### **1.0 Health Care Initiatives**

- Realizing the importance of contributing to Health Care needs of the country, NSIC has provided fully equipped Mobile Medicare Unit. The MMU runs at specified locations of Delhi & NCR and facilitates free medical checkups / consultations / reference to specialists. The medicines are given free of cost.
- Provided one Ambulance Van in Madurai, Tamilnadu for providing medical assistance to mentally challenged persons and running cost is also being reimbursed.

- Understanding the need of the child health care, NSIC has provided in medical facilities in three schools of Purulia district of West Bengal, where about 700 students were provided with medical checkup with provision for medicines / nutrition through five medical camps.
- These projects gave medical assistance to under privileged, physically and mentally challenged persons and benefited around 16,000 needy people in a year.

## **2.0 Education Enhancement Initiatives**

- Education plays a critical role in overcoming social evils and creates a future for human security and national progress. The Corporation has contributed in the cause by providing support to pre-school going children and also school going children. Under the NSIC's technical and financial support education centres in Delhi & NCR are making difference in the lives of over 900 students by providing educational support to children in the form of their homework done and also for extra studies.
- NSIC has also supported one school in Aurangabad in the form of teaching, books, notebooks, school bags and Uniform. This project benefited approx 334 students every month.
- The Corporation has also provided the school van in Guindy for the commuting purpose of orphan children from their orphanage to different schools where they were studying.
- In West Bengal students were provided with computers / benches / tables / library etc. for the up gradation of their knowledge and learning environment.

## **3.0 Safe Drinking Water**

- Providing safe drinking water is the major concern of nation. So keeping this in view, NSIC has installed four tubewells in the backward region of Sunderban areas of Bengal.
- In Rangareddy district of Andhra Pradesh, the Corporation has also installed RO water plant for providing safe drinking water to the rural population.
- Installation of hand pumps has also been done at public places at Bhadoi in Kanpur, as the quality of water is not good and also hard.
- Safe drinking water facility in the form of tube wells were also provided in the two schools of Purulia district.

#### **4.0 Women Empowerment**

- Women consist half of the population and acting as major work force in the development of nation's economy. The objective of the programme was to empower women through vocational skills and help them to make independent and enabling them to live a life of dignity.
- In Hyderabad, Chennai and Hapur, NSIC has contributed towards vocational training of women by skill development in tailoring and readymade garments and modern dresses. The Corporation has also provided the sewing machines to beneficiaries, to enable them to become self-reliant.

#### **5.0 Solar lights in some remote areas of East & North East**

- Dispelling darkness and providing a ray of hope is what NSIC has done in the Assam, Tripura, Manipur and West Bengal. NSIC has provided energy lights through Solar Lanterns distribution. 1,480 of solar lanterns were distributed in these areas which illuminate the lives of thousands of people and make their domestic environment much better than before.

#### **6.0 Medical Assistance to Physically Challenged Persons**

- Developing disability friendly strategies by way of providing artificial limbs, wheel chairs for the sustainable livelihood is essential for the physically challenged persons. NSIC has designed the programme of providing need specific artificial limbs to disabled for encouraging them to enter into an arena of main stream of life. This includes the free distribution of Calipers, Lower & Upper Limbs, Crutches, Wheel Chair, Tricycles and hearing Aids. The project benefited 579 beneficiaries in Ludhiana, Jalandhar and Hoshiarpur in Punjab.

#### **7.0 Skill Development**

- Nation's economy is trying to achieve 'faster, sustainable and more inclusive growth'. NSIC has designed the programme for skill development training as a CSR intervention for youth to augment the status as well as to strengthen the quality of life in the socio-economic arena.
- In Nagpur, skill development training in Dress Designing has been provided to under-privileged persons. Sewing machines have also been distributed to the beneficiaries.

- In Chennai, NSIC has provided training to school drop-outs and un-employed youth in repairing of household domestic electrical and electronic appliances.
- Vocational training of Mobile Phone repairing / servicing and Hardware repairing / servicing has been provided to underprivileged youth in Bangalore in order to sustain their livelihood. The tool kits were also given to the trainees.
- An Incubation Centre has been setup in Warangal for the training in computer and vocational course for the unemployed youth of state.
- For the skill development of mentally challenged persons, the Corporation has provided one Sanitary Napkin making machine for the vocational training of these children.

#### **8.0 Computer Training Centres for children with disabilities and other weaker sections of community:**

- Considering the need of handicapped children who can't afford to go to commercial computer training centres, NSIC with the assistance of Implementing Agencies designed the various programmes to enhance their skills so that they become the part of information revolution.
- The Corporation provided Computers, UPS, Printers, Computer Tables, Softwares in Delhi and Chennai centres. The cost includes recurring and non-recurring expenditure of the centres.

## **Report on Corporate Governance**

NSIC's business strategy focuses on creating sustainable long term value for all its stakeholders including members, customers, partners, employees and the society at large. The Corporation's governance structure including systems, processes and principles enable NSIC to realize its long term goals. The Corporation takes pride in being a responsible corporate citizen and has strong ethics.

### **Objective & Philosophy on Corporate Governance**

- The objective of Corporate Governance is to enhance and maximize shareholders' value and protect the interests of other stakeholders like customers, employees and society at large in order to build an environment of trust and confidence among all the constituents.

The Corporation firmly believes that only good Corporate Governance practices would ensure ethical and efficient conduct of the affairs of the Corporation and also help in maximizing value for all its stakeholders. The Corporation also believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

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

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

- **Board of Directors**

The strength of the Board was seven Directors comprising of one Chairman-cum-Managing Director, two Functional Directors, two Nominee Directors of the Government of India and two non-official part-time Directors. All the Directors are professionals from diverse fields having valuable experience in management, legal, administration and finance. The brief profile of the Directors on the Board of the Corporation is as follows:

## Director's Profile

1. **Dr. H.P. Kumar, Chairman-cum-Managing Director** is a qualified banker, management graduate and holds Ph.D. in Rural Industrialization. He has wide experience of dealing with promotion, development and financing of Micro, Small & Medium Enterprises, exports and other small & large projects. He was a visiting faculty for "Demelin School of Banking, South & Botswana, Institute of Bankers. He has also held foreign assignments with African countries. He is associated with various institutions in the country as member of their Governing Bodies.
2. **Shri Amarendra Sinha, Government Nominee Director** is an Indian Administrative Services (IAS) Officer. Presently, he holds the post of Additional Secretary & Development Commissioner, Ministry of Micro, Small & Medium Enterprises, Government of India. Prior to this he served as Joint Secretary, Ministry of MSME. He also served the Utrakhand Government in the position of Principal Secretary, In-charge of Urban Development, Planning & Programming Implementation, Information Technology, Education department etc. He also rendered his services to United Nations Development Programme.
3. **Shri S.N. Tripathi, Government Nominee Director** is a post graduate & MBA in Public Policy Management, University of Ljubljana, Slovenia. He is an Indian Administrative Services (IAS) Officer. He has worked with United Nations Children's Fund (UNICEF) and as Chairman, Orissa Computer Application Centre. He has handled various assignments like Land Revenue & Management, Industries, Finance, Communication & Information Technology, Information & Broadcasting, Administrative, Textiles & Handicrafts, Rural Development, and Panchayati Raj etc. Presently, he is Joint Secretary in the Ministry of Micro, Small & Medium Enterprises, Government of India.
4. **Shri Ravindra Nath, Director (Finance)**

Shri Ravindra Nath is the Director (Finance) of 'National Small Industries Corporation Limited' (NSIC), a Public Sector organization of Government of India w.e.f. 01.10.2009.

Shri Ravindra Nath, besides holding a Degree in Commerce, is a qualified Chartered Accountant and a member of Institute of Chartered Accountants of India.

He has vast experience in various areas of Finance / Accounts and experience of policy formulation and dealing with various issues pertaining to promotion, development and financing of Micro, Small & Medium Enterprises (MSME). He has been involved in developing new programs implemented through NSIC for development of MSMEs in India. While working with NSIC, he has also executed various assignments in foreign countries for formulating strategies and policies for the development of SMEs in those countries.

During his tenure as Director (Finance), NSIC, he has built - new competencies in the schemes of the Corporation for efficiently serving the emerging needs of MSME sector. These systemic improvements have led to a 'turnaround' of NSIC and leading it to be declared as a 'Mini Ratna' in March, 2011.

5. **Shri P. Udaya Kumar, Director (Plg. & Mkg.)** is holding a degree in B.E. and Post-Graduation from IIM-Bangalore. He has a 26 years of experience in Petroleum, Fertilizer & SME sectors in various capacities. He was instrumental in creating a Customer-friendly single-window Business Model for the Marketing department of the Petroleum Company. He is well experienced and Key Managerial Personnel for developing strategies and new models for the Business Development and Marketing areas of the NSIC. He is the Head of the Screening Committee for finalizing the proposals under Marketing Assistance Scheme for MSMEs in NSIC. He is actively involved in development of futuristic verticals in Defence procurement, Logistics, IT & Public Procurement for the MSMEs. He was a member of Delhi Productivity Council in 2012-13 and member of IPR Cell of the FICCI MSME Council. He is also member of the Selection Committee of FIEO's Export Awards for the year 2013-14.

6. **Shri Rakesh Rewari, Independent Director**

He is B. Tech. (Mech.) from IIT Delhi and MBA (F.M.S., Delhi). He has worked with IFCI, IDBI & SIDBI. He was CEO of SIDBI Venture Capital Ltd., Dy. Mg. Director of SIDBI. Presently, he is Director on the Board of M/s. KITCO Ltd., M/s. Jain Sons Finance Ltd. and MAS Financial Services Ltd.

7. **Shri Rajiv Chawla, Independent Director**

He is graduate of Delhi University. He holds several important positions as Chairman, Integrated Association of Micro, Small & Medium Enterprises (IamSMEofIndia). President, Faridabad Small Industries Association, Member, Haryana Micro & Small Enterprises Facilitation Council. Chief Patron of Haryana State Productivity Council. He has also served as Member Local Advisory Board of Chinatrust Commercial Bank and Additional Director of Indian SME Technology Services Pvt. Ltd., a subsidiary company of SIDBI.

## Meetings of the Board

The meetings of Board of Directors were held at periodical intervals. During the year under review, eight Board Meetings were held on 7<sup>th</sup> May, 2013, 26<sup>th</sup> June, 2013, 29<sup>th</sup> July, 2013, 27<sup>th</sup> Sept., 2013, 8<sup>th</sup> Nov., 2013, 20<sup>th</sup> Dec., 2013 and 18<sup>th</sup> March, 2014.

The details of constitution of the Board and the number of directorships held in other Companies as on 31<sup>st</sup> March, 2014, 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 29 <sup>th</sup> July, 2013	No. of outside directorships
1.	Dr. H.P. Kumar Chairman-cum- Managing Director	Executive	08	Yes	-
2.	Shri Amarendra Sinha	Government Nominee	03	-	One
3.	Shri C.K. Mishra*	Government Nominee	03	-	Two
4.	Shri S.N. Tripathi	Government Nominee	03	-	Three
5.	Shri Rakesh Rewari	Non-Executive Independent	07	Yes	Three
6.	Shri Ravindra Nath	Executive	08	Yes	-
7.	Sh. P. Udayakumar	Executive	08	Yes	-
8.	Shri Rajiv Chawla**	Non-Executive Independent	03	-	Four
9.	Shri Sirajuddin Qureshi***	Non-Executive Independent	Leave of absence was granted	Leave of absence was granted	Twenty Five (Includes twenty Pvt. Ltd. Cos.)

\* Ceased to be Director on 9<sup>th</sup> September, 2013.

\*\* Ceased to be Director on 26<sup>th</sup> June, 2013 and was re-appointed as Director on 24<sup>th</sup> September, 2013.

\*\*\* Ceased to be Director on 26<sup>th</sup> June, 2013.

## ▪ Audit Committee

The members of the Audit Committee were Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Sirajuddin Qureshi all Independent Directors. Shri Rajiv Chawla and Shri Sirajuddin Qureshi's Directorship ceased from 26<sup>th</sup> June, 2013. Therefore, the Audit Committee was re-constituted from 26<sup>th</sup> June, 2013 and members of Audit Committee were Shri Rakesh Rewari, Shri Amarendra Sinha and Shri C.K. Mishra.

- Shri C.K. Mishra ceased to be Director from 27<sup>th</sup> Sept., 2013 therefore, the Audit Committee was again re-constituted on 27<sup>th</sup> Sept., 2013, now, the members of the Audit Committee are Shri Rakesh Rewari, Shri S.N. Tripathi and Shri Rajiv Chawla who was re-appointed as Director on 24<sup>th</sup> September, 2013.

The Board Audit Committee met seven times during the year.

- **Remuneration Committee**

The members of the Remuneration Committee are Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Amarendra Sinha. The Remuneration Committee met on 11<sup>th</sup> Sept., 2013.

Our Corporation 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 2013-14 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 Corporation.

- **Corporate Social Responsibility Committee**

The members of the Corporate Social Responsibility (CSR) Committee are Shri Rakesh Rewari, Shri Rajiv Chawla, Shri Ravindra Nath and Shri P. Udayakumar. The Committee met six times during the year.

- **Write Off Committee**

The members of the Write Off Committee are Shri Rakesh Rewari, Shri Rajiv Chawla, Shri Ravindra Nath and Shri P. Udayakumar. The Committee met once during the year.

- **Disclosure**

- Related Party Transactions**

The Corporation 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, the Corporation has issued "Code of Ethics and Business Conduct" for compliance and has also posted the same on the website of the Corporation.

- **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 Corporation 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 Corporation 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 models, 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 Corporation. In this regard, certificate from M/s. SAP & Associates, Practicing Company Secretaries, confirming compliance with the conditions of Corporate Governance as stipulated under DPE Guidelines on Corporate Governance is annexed.