

CHAIRMAN'S ADDRESS

Dear Shareholders,

It gives me great pleasure to welcome you to the 52nd Annual General Meeting of National Small Industries Corporation Limited (NSIC). The Annual Report along with the Audited Statements of Accounts for the Financial Year ended 31st March, 2007 are already with you and with your permission, I take them as read.

Current Economic Scenario

During fiscal year 2006-07, India's GDP grew by 9.4%. Indian Economy is now the fastest growing economy in the world, next only to China. The Indian Growth Story continues to hog the headlines all over the world. India's manufacturing sector chartered a new growth path. Services sector continued its growth momentum. The unprecedented growth in the economy and market for over one billion people has drawn the attention of world's leading countries from various parts of the globe, particularly countries like the USA and Singapore. In fact, above 50% of the Fortune – 500 companies have already established business in India.

Indian SMEs Scenario

The contribution of Micro, Small & Medium Enterprises (MSMEs) has been remarkable in the industrial development of our country, providing direct and indirect employment to the millions of people. MSMEs contribute almost 40% of the gross industrial value additions in the Indian Economy. The role of MSMEs is very important for the successful manufacturing of the finished products – may be cars, commercial vehicles, high technology products like telecom or power equipments. In addition to the manufacturing sectors, there is a huge potential in the services sector where MSMEs play an important role. Infact, the contribution of services sector in the growth of GDP has crossed over 50%. Tourism, Transportation, Restaurants and Hotel Industries, Construction etc. are the emerging areas which promise huge potential for growth. Call centres, BPOs and KPOs are now driving the Indian Economy and providing services to consumers, thousands of miles away from India. Even in these areas, Small and Medium Entrepreneurs are playing an important role by expanding their bases in tier – II and tier – III cities.

The Government of India is fully committed to the growth of MSMEs and to the emergence of new enterprises in India. In this regard, the Micro, Small & Medium Enterprises Development Act has been passed to promote the growth of MSMEs. The Government has also announced a policy package for doubling credit flow to this sector.

FINANCIAL YEAR 2006-07 : FROM ONE SUCCESS TO ANOTHER.....

I will now turn to your Corporation's Performance in the financial year 2006- 07. The foundations that were laid for the Corporation to re-emerge from its dire straights have now enabled it to embark on a 'Turnaround Mode'. They have driven growth in your company's performance providing a strong momentum for a secure future.

The year was quite eventful for the Corporation for many reasons. We surged ahead in business performance, achieving record business growth with the business turnover standing at an all time high of Rs. 2197.89 crore, an increase of 43% over the business turnover of the preceding year.

Your Corporation's strategic trust is founded on its ability to continuously generate additional business and revenue from non financial schemes like distribution of Raw Material (Steel, Aluminium, and Copper etc.), Marketing of Products of Small Enterprises, Government Purchase Registration, income from Software Technology Parks, Exhibitions etc. This, together with committed human resources of your Corporation, enabled it to effectively compliment the bottom-line growth with significant top-line gains. This is clearly manifested by the fact that your company earned record operating profit of Rs. 4.92 crore as against Rs. 3.25 crore for the previous year. Net profit of the Corporation increased to Rs. 2.84 crore as against Rs. 1.25 crore in the preceding year.

Your Directors are pleased to recommend a dividend of 20% of the Net Profit for the financial year 2006-07.

KEY INITIATIVES:

I am pleased to report that apart from building upon the new initiatives taken during the last few years - like tie-up with banks for providing credit support to micro & small enterprises, opening of new warehouses for making raw materials available to micro & small enterprises, Performance & Credit Rating Scheme etc, your company has taken some more initiatives for improving its performance as well as the services for micro & small enterprises. Some such initiatives are adding new raw materials in coming year - such as bitumen, industrial chemicals and coal etc., strategic alliance with the Export Credit Guarantee Corporation of India Ltd. (ECGC) for providing export credit insurance to the small and medium enterprises in the country, utilization of idle infrastructure available, re-deployment of surplus staff for productive growth.

In addition to above, the Corporation has also established Technology Incubators. These centres are an exclusive institution of the Corporation for training the youth and imparting them with knowledge and skill required for taking up self employment ventures.

THE ROAD AHEAD:

With operational excellence and synergies between organizational strategies and process improvement aimed at improving service – oriented architecture, the Corporation is geared to meet the rising customer expectations and the new business avenues opened with the coming up of 'Medium Enterprises' within the purview of the Corporation.

I and my management team are conscious of the opportunities and responsibilities we have. We have a duty to catapult the Corporation in the top league. We are putting together a concrete agenda to pursue this goal through modern technology, re-skilling of employees, reaching out to the small enterprises, innovating new business models etc. I am confident that the corporate values which the Corporation stands for will help it to touch greater heights in performance in future.

AWARDS AND ACCOLADES CONFERRED ON THE CORPORATION:

You will be happy to know that the Corporation was conferred the "Corporate Excellence Award" by Amity International Business School during the year 2006 - 07 thus, acknowledging the turnaround in overall performance & quality of service delivery.

CORPORATE GOVERNANCE:

The Corporation's corporate governance philosophy is based on the pursuit of sound business ethics and strong professional acumen that aligns the interests of all segments of the stake holders as also the society at large.

ACKNOWLEDGMENT:

I like to place on records my sincere thanks to Hon'ble Minister of Micro, Small & Medium Enterprises for his patronage, valuable guidance and support. I am grateful to the Secretary to the Government of India, Ministry of Micro, Small & Medium Enterprises, who has always been a source of inspiration and advice. I am also grateful to Additional Secretary & Development Commissioner (MSME), Joint Secretary, Director and other officials of the Ministry of MSME for their support and guidance.

I am also grateful to Additional Secretary-cum-Financial Advisor and Director (IF Wing) for their support and guidance.

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

I would like to express my deep gratitude to all the stake holders whose continued support enabled the Corporation to achieve excellent performance.

I would also like to thank the Directors on the Board for their invaluable support for steering the company through its chartered path to achieve glorious performance.

I will be failing in my duty if I do not acknowledge the excellent support and unstinted co-operation of all our employees and executives steering the Corporation to greater heights through their devoted, dedicated and sincere efforts and consistent good performance.

I am confident that with your continued support, year 2007-08 will turnout to be yet another year of excellence for the Corporation.

New Delhi
29th August, 2007

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