

## 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 56<sup>th</sup> Annual General Meeting of the NSIC Ltd. The Annual Report and Audited Statements of Accounts for the financial year ended 31<sup>st</sup> March, 2011, 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 2010-11, the Corporation continued with its endeavor to reach out to larger number of units, facilitating and providing various inputs to the MSMEs in the country, adding new members under Single Point Registration Scheme & B2B Portal and enabling technical centre(s) to operate without any grants for administrative support. All these could be achieved by opening new offices to reach out to larger number of MSMEs, inculcating a spirit of self belief and self reliance amongst all in the Corporation. The added edge and enhanced competitiveness in its services has enabled the Corporation to serve and satisfy its stakeholders. In addition, more emphasis was given to the delivery of quality of service and providing comprehensive training to the staff for better customer service.

As a result of its consistent good performance the Government of India has accorded "**Mini Ratna**" Status (Category – II) to NSIC. It is first of its kind in the history of MSME Sector. The "Mini Ratna" Status will give NSIC higher degree of autonomy to provide greater service through its innovative schemes for the growth and development of MSME sector in the country.

Highlights of the achievements during the year 2010-11 are briefly mentioned below:

### 1.1 Business Turnover

The business turnover of the Company for the year 2010-11 went up to Rs. 7979 crore as compared to Rs. 4488 crore in the previous year registering a growth of 78%.

## 1.2 Profitability

The operating profit and net profit after tax earned by the Company during 2010-11 vis-à-vis 2009-10 is depicted in the table below:

Particulars	(Rs. in Lac)	
	2009-10	2010-11
Gross Margin	5228	<b>8165</b>
Net Profit before Tax	2594.24	<b>3516.92</b>
Less : Provision for Tax	166.90	<b>538.50</b>
Net Profit after tax	2427.34	<b>2978.42</b>
Earning Per Share (Rs.)	10.42	<b>12.78</b>

## 1.3 Raw Material Assistance

Amongst the diverse requirements of MSME timely availability of raw material is of great significance. To fulfill this requirement NSIC continued with its efforts to provide various raw materials like iron & steel, coal, aluminum, zinc, copper, paraffin wax etc. through its distribution network to MSMEs through arrangements made with bulk manufactures of these materials.

Total raw materials facilitation to MSMEs, in quantitative terms, grew up by 47% from 3,55,719 MTs in 2009-10 to 5,24,534 MTs in 2010-11.

The Portfolio of Raw Material Assistance against Bank Guarantee reached to Rs. 983 crore on 31<sup>st</sup> March, 2011 as against Rs. 578 crore on 31<sup>st</sup> March,2010, thereby registering a growth of 70% during the year.

Five new godowns for supply of raw-material were opened during the year and supply of coal commenced in the state of Orissa.

## 1.4 Credit Facilitation

Credit facilitation by NSIC during the year 2010-11 to Micro, Small & Medium Enterprises increased to Rs. 2349 crore from Rs. 1056 crore in the previous year, registering a growth of 122%. During the year new bank Tie-up arrangements were made with Bank of India & State Bank of Hyderabad.

### **1.5 Government Purchase & B2B portal**

The Revenue from Government Purchase and B2B Portal increased to Rs. 5.94 crore thereby posting a growth of 7% over the previous year.

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

Financial year 2010-11 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".

### **1.7 Government Schemes**

For the financial year 2010-11, 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, 10327 units were rated during the year as against 7531 in 2009-10 posting an increase of 37% over previous year.

Under the Marketing Assistance Scheme, the Corporation could conduct various events namely Exhibitions, Buyer Seller Meets, Intensive Campaigns etc. The total number of events held was 862, 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 20<sup>th</sup> August, 1998, 20% of the net profit (i.e. 20% of Rs. 2978.42 lac) has been provided for in the books of accounts as dividend i.e. Rs. 595.69 lac. Tax provision for dividend provided for 2010-11, amounting to Rs.96.64 lac has been made as per applicable laws and has also been provided for in the books of accounts. The provision for dividend for 2010-11 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 New support services offered to MSME sector**

The following new support services were offered during the last couple of years 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 the 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 MSME. The data base of industry associations, exporters and sector-wise industry profile has been created.

Hyperlink has been developed with Government / PSUs for scanning tender and other related information. The linkages have also been established with Indian Embassies abroad for providing market information about changing pattern in the international market to help SMEs in planning their marketing strategies. To speed up the dissemination of information to SMEs a web portal is under implementation for market intelligence.

### **4.2 MSME Intelligence Portal**

NSIC launched a web portal for disseminating marketing intelligence to the MSME sector in the country. The web portal will facilitate connectivity to Indian MSMEs and also to global enterprises in accessing information about the products and technologies available from MSME sector in India. The portal has advance 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 tenders notices relevant to MSMEs etc. it stands out as one-stop-shop for MSMEs in the context of accessing Marketing Information.

#### **4.3 NSIC “Exhibition-cum-Marketing Development Business Park” (EMDBP) at Hyderabad**

The construction of an “Exhibition cum Marketing Development Business Park (EMDBP)” at Hyderabad having total floor area of around 15,000 Sqm over a sprawling 8 acre campus has been completed and the building has become operational. The state of art five storied building is equipped with all modern amenities having Exhibition hall, Conference room, Office space & Food court.

#### **4.4 E-Learning Centre at Okhla, New Delhi**

In order to have uniform code of lectures and training in all Training-cum-Incubation Centres, NSIC established an E-Learning Centre at Okhla, New Delhi, which can be connected to all NSIC - TICs to receive high quality and standardized training electronically. Lectures on various training modules are broadcasted through internet to all the TICs from NSIC Studio. The studio can also be utilized for video conferencing among offices of the Corporation.

#### **4.5 Promoting International Trade through NSIC’s B2B Web Portal**

NSIC launched a revamped B2B Web Portal to provide marketing support to MSMEs for business to business relationship. This Web Portal is available at [www.nsicindia.com](http://www.nsicindia.com), which is one of the most advanced technology based B2B portals to help the MSMEs to showcase their products and services along with portfolios globally.

NSIC’s B2B web portal is used for dissemination of sector specific business Information to MSMEs. This aims to promote International Trade through a dedicated B2B Web Portal. Potential beneficiaries are MSMEs seeking business collaborations and co-production opportunities, joint ventures, exporters and importers and those looking for technology transfers.

NSIC is implementing a proposal to upgrade the portal at par with the best of worldwide portals.

#### 4.6 **NSIC-Training-cum-Incubation Centres (NSIC-TICs) for Small Enterprise Establishment under Public Private Partnership (PPP) Mode**

NSIC continued its initiative to set up new Training-cum-Incubation Centres (NSIC-TICs) under PPP mode for the purpose of inculcating entrepreneurial skills among unemployed persons by imparting training through which they become employable or can set up their own small enterprises. Currently 35 NSIC-TICs are functioning.

#### 5.0 **International Co-operation**

The objective of International Co-operation activities is to initiate long term and sustainable enterprise to enterprise cooperation between Indian enterprises and enterprises in the target countries. This is achieved by exchanging business delegations and organizing one-on-one business meetings with the enterprises of both the countries. During the year 25 delegations from various countries visited NSIC and three business delegations were taken to various countries.

#### 6.0 **Exhibitions**

During the year Corporation participated in 103 National & International Exhibitions, Organized 8 domestic exhibitions and conducted 739 marketing promotion events including buyer-seller meets. The trademark exhibition of the Corporation "Techmart India" was also held during November,2010.

**"Techmart India, 2010"** was a unique platform to provide opportunities to MSMEs for displaying their capabilities, competencies and enhancing their marketing efforts and technology transfer. In this exhibition engineering, technology, manufacturing and the entire range of associated industries were displayed.

The display covered a wide range of products and services from all focused sectors. Like previous years a special enclosure of "Working Techmart" was provided where standalone technologies for entrepreneurs were on display.

## **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 NSIC also has a Training-cum-Incubation Centre at Guwahati, which provides technical training and organizes skill upgradation and entrepreneurship development programmes.
- 7.3 NSIC Guwahati has a technical incubation centre with 22 projects. During the year 2010-11, training and incubation under various trades was provided to 7375 trainees.

## **8.0 Capital Structure & Borrowings**

The Paid-up-Capital of the Company remained unchanged at Rs. 232.99 crore. Loans from financial institutions and banks were of the order of Rs. 925.75 crore as against Rs. 490.87 crore at the end of the previous year. Repayment of installments and interest due till 31<sup>st</sup> March, 2011 in respect of all loans were made on the due dates.

## **9.0 Investment**

NSIC had 12,14,000 equity shares of Rs.10/- each in Singer India Ltd., which had informed its shareholders that the Board of Industrial & Financial Reconstruction vide its order dated 28<sup>th</sup> April, 2008 had approved a rehabilitation scheme for the revival of the company pursuant to which, there would be 90% reduction in its paid up capital.

NSIC has investment of Rs. 10 lac in equity of SIPPO and Rs. 5 lac in equity of SIPMO. Both these Companies were set up in early nineties for marketing of the products of small industries.

## **10.0 Fixed Deposit Scheme**

Your company has not accepted any Fixed Deposits and as such no amount of principal or interest was outstanding as on 31<sup>st</sup> March, 2011.

## 11.0 Human Resource Management

11.1 The total manpower of the Company as on 31<sup>st</sup> March, 2011 was 895 as against 867 in the previous year.

The break-up of the manpower was as follows:

S. No.	Description	As on 31.03.2011	As on 31.03.2010
1.	Managerial	408	389
2.	Supervisory	173	131
3.	Non-Supervisory	314	347
	<b>Total</b>	<b>895</b>	<b>867</b>

### 11.2 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 2010-11, twelve major In-house training programmes were organized which included six Management Development Programmes, three Training Programmes on Finance for Non-Finance executives, one Training Programmes on (ISO) Internal Quality Auditor Training. Apart from the above, several executives and non-executives were also sponsored to various professional institutes for training.

### 11.3 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 branch offices, 7 NSIC-Technical Services Centres and Corporate Office are presently ISO certified under Quality Management System ISO-9001:2008.

## 12.0 Personnel and Industrial Relations

During the year 2010-11, good and cordial relations were maintained with NSIC Employees. There was no agitation or strikes. Meetings were held with Unions from time to time to discuss various issues and to resolve them amicably. Overall, harmonious industrial relations were maintained during the year 2010-11.



### **13.0 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.

### **14.0 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 continue to be adhered to during the year.

### **15.0 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. 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 ensures optimum use of these resources to fulfill the objective.

During the year 2010-11, a Vigilance Awareness Week was observed from 25<sup>th</sup> October,2010 to 1<sup>st</sup> November,2010 as a campaign against corruption and to create awareness among the employees of the Corporation. A pledge to bring about integrity and eradicate corruption was administered to all the employees of the Corporation in all its offices at various places of the country. Apart from this, training related to Vigilance awareness was also imparted to various officials of the Corporation during the year.

The CVC advices, as and when received, were processed as per the directions of CVC and at the close of the financial year, no CVC advice was pending.

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.

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.

## 16.0 Recognitions

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

- 16.1 **“Icon of the year Award”**: Dr. H.P. Kumar, Chairman-cum-Mg. Director, NSIC received “Icon of the year Award” from the Institute of Cost and Works Accounts of India (ICWAI). The award was conferred by the Institute in recognition of the services in implementing various innovative schemes in NSIC for the promotion and development of MSME sector in the country. The award was presented by Secretary, Ministry of Corporate Affairs, Govt. of India at the 52<sup>nd</sup> National Conventional of ICWAI held at Chennai.
- 16.2 **“Meri Dilli Award”**: Hon’ble Chief Minister of Delhi conferred “Meri Dilli Award” to Dr H.P. Kumar, Chairman-cum-Mg. Director, NSIC in recognition of the innovative NSIC Incubation programme for Small Enterprise establishment launched by NSIC for creating new employment opportunities, employment and the growth of MSME sector in the country.
- 16.3 **“Small Business Mentor of the Year” Award**: NSIC received the ‘Small Business Mentor of the Year’ at the National Convention for Small Business & Entrepreneurship organized by Zee TV and Indian Franchise Association held in Mumbai.
- 16.4 **FSIA – V.B. Gulati Award** was conferred on Dr. H.P. Kumar, Chairman-cum-Mg. Director, NSIC for services rendered to the MSME sector. The award was given by Faridabad Small Industries Association (FSIA) in recognition of services in implementing various innovative schemes by NSIC for the promotion & development of MSME sector in the country.
- 16.5 NTSC-Chennai received an Award and Letter of Appreciation from VEL TECH Technical University, Chennai for partnering with the University in imparting skills to students by way of in-plant training and projects entitled “India – a Superpower in 2020”.

## 17.0 Corporate Social Responsibility (CSR)

Your company has always been conscious of its responsibility and duties towards the society. In continuation of this objective your Board of Directors had decided to comply with the DPE guidelines for funds to be allocated towards Corporate Social Responsibility initiatives.

Keeping in view, the need for helping the people to equip them with the required skill to take up employment or set up their own small enterprises, training was imparted to special categories of persons like deaf & dumb, physically challenged, SCs, STs, OBCs, Women, persons below poverty line in various trades.

In addition to this, one incubator project was set up at Asia Plateau, Panchghani (Maharashtra) for providing training in computer lab, lead plate making machine, embroidery, brick making and knitting.

### **18.0 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. Some officers have been assigned to work as link between public and the company. The members of public can get in touch with these officers to get guidance and help.

### **19.0 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 2011-12.

The Company's rating based on the results for the year 2010-11 would be "Excellent".

### **20.0 Rajbhasha**

- Government of India has formulated the Official Language Policy for ensuring progressive and effective use of Hindi in Government offices / Public Sector / Bank etc. for the purpose of implementation of this policy in NSIC. Hindi Section is functioning at Corporate Office. During the year 2010-11 following activities have been carried out for increasing the use of Hindi:
- 14<sup>th</sup> day of every month is observed as Hindi Diwas for doing all the work in Hindi. Hindi quotations of the renowned personalities were displayed at various places in Corporate Office as well as in its branch offices.

- "Hindi Month was observed from 14<sup>th</sup> September,2010 to 13<sup>th</sup> October,2010" and 14<sup>th</sup> October, 2010 as "Hindi Diwas". During "Hindi Month" various Hindi competitions for employees and full day Hindi conference for Nodal Hindi Officers were conducted. The winners of various competitions were given prizes.
- To motivate the employees of the Corporation to do their work in Hindi, a special message on Hindi Diwas was given from the desk of CMD.
- During report year 2010-11, 15 branch offices where more than 80% employees have Hindi working knowledge were got notified under rules 10(4) of Official Language Rules, 1976.
- More than 50% of total amount earmarked for purchase of books were incurred on purchase of Hindi books.
- Application forms and literature for various schemes of NSIC have been prepared bilingually.
- During report year, third Sub-Committee of Parliamentary official Language Committee inspected NSIC's Business Development Extension Office at Jammu on 1<sup>st</sup> July, 2010.

## **21.0 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.

## **22.0 Foreign Exchange**

During the year 2010-11, the company earned foreign exchange valuing Rs. 15.84 lac from activities abroad.

## **23.0 Board of Directors**

The Board of Directors of the Company met seven times during the year. In addition to this two Sub-Committee meetings were held.

## **24.0 Audit Committee**

The Audit Committee was reconstituted on 24<sup>th</sup> June, 2010. The members of the Audit Committee are Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Sirajuddin Qureshi.

## **25.0 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 explanation 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 31<sup>st</sup> March, 2010 on a 'going concern basis'.

## **26.0 Corporate Governance**

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

## **27.0 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 31<sup>st</sup> March, 2011 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.

## **28.0 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 acknowledges the valuable assistance provided by Hongkong and Shanghai Banking Company 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  
2<sup>nd</sup> August, 2011

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

## **Report on Corporate Governance**

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 India. 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, including one nominated by SIDBI. 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, seven Board meetings were held on 24<sup>th</sup> June,2010, 12<sup>th</sup> August,2010, 27<sup>th</sup> August,2010, 22<sup>nd</sup> November,2010, 18<sup>th</sup> February,2011 and 22<sup>nd</sup> March,2011.

The details of constitution of the Board and the number of directorships and committee memberships held in other Companies as on 31<sup>st</sup> March, 2011, and their attendance at the Board Meetings held during the year and at the last Annual General Meeting, are given below:

S. No.	Name of the Director	Category	No. of Board meetings attended	Attendance at the AGM held on 27 <sup>th</sup> Aug., 2010	No. of outside director -ships
1.	Dr. H.P. Kumar Chairman-cum- Managing Director	Executive	7	Yes	-
2.	Shri Pravir Kumar	Government nominee	3	-	Two
3.	Shri Amarendra Sinha*	Government nominee	3	-	Two
4.	Shri S.K. Sinha	Executive	3	-	-
5.	Shri Ravindra Nath	Executive	7	Yes	-
6.	Shri R.K. Manchanda	Government nominee	7	Yes	-
7.	Shri Rakesh Rewari	Non-Executive Independent	5	Yes	Ten
8.	Sh. P. Udayakumar**	Executive	3	-	-
9.	Shri Rajiv Chawla***	Non-Executive Independent	6	Yes	Four
10.	Shri Sirajuddin Qureshi***	Non-Executive Independent	1	Yes	Twenty five (Includes twenty private Ltd. companies)

\* Shri Amarendra Sinha, Joint Secretary, Ministry of MSME, joined as Special Invitee in 458<sup>th</sup> Board Meeting held on 27<sup>th</sup> August, 2010.

\*\* Shri P. Udayakumar, Director (Plg. & Mkg.) joined the Corporation w.e.f. 8<sup>th</sup> November, 2010.

\*\*\* Shri Rajiv Chawla and Shri Sirajuddin Qureshi were appointed as Non-Executive Independent Directors w.e.f. 13<sup>th</sup> May, 2010.

#### ▪ **Audit Committee**

The Audit Committee was reconstituted on 24<sup>th</sup> June, 2010. The members of the Audit Committee are Shri Rakesh Rewari, Shri Rajiv Chawla and Shri Sirajuddin Qureshi.

The Audit Committee could not be reconstituted earlier as the term of Independent Directors had expired on 21<sup>st</sup> November, 2008 and proposal for appointment of Independent Directors was under process and Independent Directors were appointed on 13<sup>th</sup> May, 2010.



- **Remuneration Committee**

The remuneration committee was constituted on 24<sup>th</sup> June,2010. 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-Mg. Director and Functional Directors during the year 2010-11 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 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.

- **Model Code of Business Conduct and Ethics**

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

## Annexure to Directors Report

### Management Discussion & Analysis

Presented below is the analysis of the performance of the Corporation for the year 2010-11:

#### ▪ **Business Overview:**

During the year 2010-11, the turnover of the Corporation was Rs. 7979 crore as compared to Rs. 4488 crore in the previous year registering a growth of 78%.

Raw Material Distribution, in quantitative terms, grew up by 47% to 5,24,534 MTs in 2010-11 from 3,55,719 MTs in 2009-10. The Portfolio of Raw Material Assistance against Bank Guarantee reached Rs.983 crore on 31<sup>st</sup> March, 2011 as against Rs. 578 crore on 31<sup>st</sup> March,2010, thereby registering a growth of 70%.

The credit facilitation to Micro, Small & Medium Enterprises increased to Rs. 2349 crore from Rs. 1056 crore during the previous year registering a growth of 122%. The Revenue from the schemes of Government Purchase and B2B Portal increased by 7% and 37% respectively over previous year.

The Corporation was conferred with Mini Ratna status (Category-II) by the Government on 1<sup>st</sup> March, 2011.

#### ▪ **Financial Performance:**

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

<b>(Rs. in Crore)</b>		
<b>Description</b>	<b>2010-11</b>	<b>2009-10</b>
Business Turnover	<b>7979</b>	4488
<b>Total Income (A)</b>	<b>992</b>	699
<b>Expenditure:-</b>		
Purchases	<b>772</b>	538
Employees Remuneration & Other Benefits	<b>56</b>	47
Depreciation	<b>2</b>	1
Finance & other Charges	<b>127</b>	85
<b>Total Expenditure(B)</b>	<b>957</b>	671

<b>Net Operating Profit (A-B) = C</b>	<b>35</b>	28
Prior Period Expenditure (D)	-	-
Amortization of VRS Expenditure (E)	-	2
<b>Net Profit Before Tax (C-D-E) = F</b>	<b>35</b>	26
Provision for Current Tax(G)	<b>5</b>	2
Adjustment of Previous Years Taxes(H)	-	5
<b>Net Profit after Tax available for appropriations(F-G-H) = I</b>	<b>30</b>	24
Proposed Dividend (J)	<b>6</b>	5
Tax on Proposed Dividend (K)	<b>1</b>	1
<b>Balance of Profit available for appropriations (I -J-K)</b>	<b>23</b>	18
Reserves & Surplus	<b>13</b>	13
<b>Net Worth</b>	<b>130</b>	107
<b>Basic/Diluted Earning Per Share (EPS)</b>	<b>Rs. 12.78</b>	Rs 10.42

- **Dividend**

The Corporation has recommended dividend of Rs. 595.69 lac for the current financial year.

- **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, 2011 :

(Rs. in Lac)

Description	For the year ended 31/03/2011			For the year ended 31/03/2010		
	Promotional	Commercial	Total	Promotional	Commercial	Total
<b>A. Primary Segment – Business Segment</b>						
<b>I. SEGMENT REVENUE</b>						
a. Segment Revenue (including grant)	#5509.80	93690.55	99200.35	#3859.70	66027.57	69887.27
<b>II. SEGMENT RESULTS</b>						
a. Segment Results @	(4.35)	2982.77	2978.42	(7.50)	2434.84	2427.34
b. Operating Profit before interest	-	8009.48	8009.48	-	5134.92	5134.92
c. VRS & prior period	-	2.82	2.82	-	219.05	219.05
d. Interest Paid	-	4489.74	4489.74	-	2321.63	2321.63
e. Net Profit before Tax	-	3516.92	3516.92	-	2594.24	2594.24
f. Tax	-	538.50	538.50	-	166.90	166.90
g. Net Profit after Tax	-	2978.42	2978.42	-	2427.34	2427.34
<b>III. ASSETS &amp; LIABILITIES</b>						
a. Segment Assets	1130.11	95583.56	96713.67	1150.34	55998.76	57149.10
b. Unallocated Assets			36904.42			29435.00
c. Total Assets	1130.11	95583.56	133618.09	1150.34	55998.76	86584.10
d. Segment Liabilities	2671.09	94888.28	97559.37	2260.12	51139.58	53399.70
e. Unallocated Liabilities			36058.72			33184.40
f. Total Liabilities	2671.09	94888.28	133618.09	2260.12	51139.58	86584.10
<b>IV. OTHER INFORMATION</b>						
(a) Cost incurred during the period to acquire fixed assets (including CWIP)	69.64	2983.55	3053.19	112.82	18.92	131.74
(b) Depreciation ##	86.03	158.54	244.57	95.13	100.38	195.51
(c) Non cash expenditure other than depreciation	-	712.97	712.97	-	693.44	693.44

# This includes grant receivable (net) of (-) Rs 152.12 Lac (Rs.182.96 Lac).

@ 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 142 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.
- Surplus Manpower at Lower Levels of which a large proportion is poorly educated and therefore, not easy to retrain or re-deploy for the core activities of the Corporation.
- 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.
- Notifications and implementation of 'Procurement Preference Policy' 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.
- High incidence of sickness in the MSME sector poses a threat to the viability of commercial operations that are being undertaken by 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 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 31<sup>st</sup> March 2011 was 895. 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 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 Conduct and Ethics**

The Corporation has issued Code of Conduct and Ethics 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.

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 anticipate and pro-actively manage change and its agility to reinvigorate itself. In the years to come, the primary focus will be to create new fountain-heads of value creation for MSMEs within India while continuing to expand the existing facilities being offered to the MSME sector.

The Corporation is striving for 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 total volumes of raw material assistance to be provided to the MSMEs.

- **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.