

## **DIRECTORS' REPORT**

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

Dear Shareholders

On behalf of the Board of Directors of your Company, it is my privilege to present the 54<sup>th</sup> Annual Report and Audited Statements of Accounts for the financial year ended 31<sup>st</sup> March, 2009, together with comments of the Comptroller & Auditor General of India on the Accounts of your Company.

### **1.0 Corporate Performance at a glance**

Financial year 2008-09 was an extremely crucial year as the journey of revival and re-establishing the Corporation had to be carried forward. The need of time was to consolidate upon the range of the services provided by NSIC which would not only continue to enhance the reach of the Corporation but also enhance its competitiveness and provide it with an added edge in its operations.

I am pleased to report that the business turnover of the Corporation for the financial year 2008-09 went up to Rs. 3,508 crore as compared to Rs. 2,987 crore in the previous year, registering a growth of 17% in the year when the economy all over the world witnessed a slowdown and the prices of industrial raw material namely aluminium, copper, steel etc. plummeted by 37% to 49%, the growth of 17% in gross business done by NSIC in this scenario is quite significant.

Major highlights of achievements for the financial year 2008 - 09 are briefly summed up below:

- **Turnover**

Business turnover of the Corporation for 2008-09 went up to Rs. 3,508 crore as compared to Rs. 2,987 crore in the previous year registering a growth of 17%.

- **Raw Material Distribution**

The steady & timely availability of the raw materials to the Micro, Small & Medium Enterprises is important for their smooth operations. In this regard, NSIC has made arrangements with bulk manufacturers like Steel Authority of India Ltd., Rashtriya Ispat Nigam Ltd., National Aluminium Company Ltd., Hindustan Zinc Ltd., Hindustan Cooper Ltd., Indian Oil Corporation Ltd., Chennai Petrochemical Corporation Ltd. etc. for providing raw materials like steel, aluminium, zinc, copper, purified telephthalic acid (PTA), paraffin wax etc. to MSMEs. NSIC has also been operating various godowns to enable MSMEs to get the raw material closer to their works. Corporation is operating 15 godowns located at various places in the country for making available raw material to MSMEs and has got planned to open 15 more godowns at various locations during the next three years.

It is pertinent to mention that in quantitative terms, Raw Material Distribution by the Corporation grew up by 32% from 2,29,018 MTs in 2007-08 to 3,02,164 MTs in 2008-09.

- **Portfolio of Raw material Assistance against Bank Guarantees**

The Portfolio of Raw Material Assistance against Bank Guarantee reached Rs. 306 crore on 31<sup>st</sup> March, 2009 as against Rs. 194 crore on 31<sup>st</sup> March, 2008, thereby registering a growth of 58%.

- **Credit Facilitation**

The credit facilitation to Micro, Small & Medium Enterprises increased to Rs. 688 crore from Rs. 421 crore during the previous year registering a growth of 63%.

- **Single Point Registration & Infomediary Services**

The revenue from the schemes of Single Point Registration and Infomediary Services increased to Rs. 4.12 crore thereby posting a growth of 22% over the previous year.

- **Performance of NSIC – Technical Centres**

Financial year 2008- 09 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'. Total income of Technical Centres went upto Rs. 12.54 crore from Rs. 10.75 crore.

- **Infrastructure Utilization**

The Corporation has also been effectively harnessing its idle infrastructure to mobilize additional sources of revenue. The process continued during 2008 - 09 and the income from infrastructure increased to Rs. 11.87 crore, thereby registering an increase of 29% over the previous year.

- **Implementation of Plan Schemes**

For the financial year, plan funds were available only for operating two schemes on behalf of the Government of India namely Performance & Credit Rating Scheme and Marketing Assistance Scheme. The Corporation has received budgetary support of Rs.19.92 crore under the above two schemes, as reimbursement to the expenditure incurred by NSIC on these two programmes.

Under the Performance & Credit Rating Scheme, 5011 units were rated during the year, an increase of 30% over the previous year. In respect of units rated during the year, total expenditure amounted to Rs. 18.47 crore and after adjusting the grants of Rs. 7.15 crore received for the scheme, balance amount of Rs. 11.71 crore was due to be received.

Under Marketing Assistance Scheme, NSIC could conduct various events namely Exhibitions, Buyer Seller Meets, Intensive Campaigns etc. Total number of events held during the year amounted to 874 as against 667 in the previous year.

- **Operating Profit**

Performance of the Corporation can best be concluded by reporting the results in terms of 'Operating Profit'. The Corporation posted an 'Operating Profit' of Rs. 9.05 crore over the previous year's amount of Rs. 6.41 crore, thereby registering a growth of 41%.

The Corporation was able to record improvement in all its activities during the financial year 2008-09 due to its continued efforts towards consolidating upon the range of services provided, coupled with enhancing its reach, competitiveness and by providing an added edge to its operations.

Some other achievements of the Corporation during the year are as follows:

- The Corporation organised 874 Marketing Promotion events including participation / organisation of exhibitions, buyer seller meets and intensive campaigns as compared to 667 events in the previous year 2007-08. NSIC's Techmart India organised during India International Trade Fair in Nov., 2008, received **Gold Medal** for its outstanding display.
- NSIC also organised an exhibition – "India Minitex'2008" from 12 – 16 July, 2008 at Tashkent, Uzbekistan in which 41 Indian units displayed their technologies and machineries. The exhibition was a big success and aroused keen interest of Uzbek entrepreneurs, businessmen and government agencies for the Indian technologies displayed therein.

- NSIC entered into tie-up arrangements with banks for meeting the credit requirements of SMEs. As on date Corporation has signed MoU with eleven banks (i.e. United Bank of India, UCO Bank, Oriental Bank of Commerce, Central Bank of India, Bank of Maharashtra, YES Bank, AXIS Bank, Karur Vyasa Bank, HSBC, Chinatrust Commercial Bank and Union Bank of India).
- For enlarging the client base and also to provide services at the doorsteps of the entrepreneurs, 18 more offices were opened, making total number of NSIC offices to 103.
- The foundation stone laying ceremony of construction of “Exhibition-cum-Marketing Development Business Park” (EMDBP) at Hyderabad was performed by the Secretary, Government of India, Ministry of MSME on 14<sup>th</sup> Oct., 2008. The construction of the project is in full swing and the project is expected to be completed by end of 2009.

## 2.0 Recognition Received

Stakeholders observe the performance of the Corporation keenly due to the positive initiatives taken by it over the last couple of years. Achievements during financial year 2008-09 are as follows:

- “Corporate Excellence Award” from Amity International Business School –3<sup>rd</sup> Year in a row.
- NSIC’s Techmart India organised during India International Trade Fair in Nov.,2008, received **Gold Medal** for its outstanding display.

### 2.1 Dividend

Your Directors have recommended dividend @20% of the net profit i.e. Rs. 120.46 lac subject to approval of the shareholders at the Annual General Meeting.

### **3.0 NSIC's new initiatives**

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

In order to augment self employment opportunities in the country NSIC launched a Scheme of NSIC-Training-cum-Incubation Centre (NSIC-TIC) under PPP mode. This is a unique model introduced by NSIC for providing Skill Development and Entrepreneurship Training to the unemployed youth in the country.

There is a huge requirement of such incubators all over the country. With such leveraging, 20 NSIC-TICs were set up under the Public-Private Partnership mode during the year.

#### **3.2 Establishing MSMEs Info-Call Centre**

During the year NSIC established an "Info - Call Centre" at its Corporate office to enhance its service delivery to the existing customers and further, spread its reach to the potential MSME's. The Centre was inaugurated by Shri K.M. Chandrashekhar, Hon'ble Cabinet Secretary, Government of India on 6<sup>th</sup> March, 2009 in the presence of Shri Dinesh Rai, Secretary, (MSME), Govt. of India, Shri Prabhat Kumar, Ex-Cabinet Secretary, Govt. of India. The Centre will play a significant role in spreading awareness about various schemes and programs amongst Micro, Small and Medium enterprises in the country and attend to their queries with regard to such schemes. The Centre would also help in providing required information about vendors and technology suppliers to the potential first generation entrepreneurs and existing enterprises as and when required by them.

The salient features of the "Info- Call Centre" are as follows:

- Customer Care Services & Solutions
- Tele & Internet Marketing
- Infomediary Services

The centre is having state-of-the-art computers, dedicated call centre equipments which are managed by trained call centre managers with the following facilities:

- Tracking of all incoming & outgoing calls with date & time
- Recording of entire conversation
- Tele -Conferencing
- Response to queries with IVR's (Interactive Voice Responses)
- E-Newsletters
- E-Mail notifications for unattended calls.
- Voicemails which can be forwarded to Mail boxes.
- Report generation on the basis of queries obtained from customers.
- Remote monitoring
- Database integration

The Call Centre is poised to provide an excellent opportunity for NSIC to not only promote information exchange with MSME's pan India & abroad but also improve its service delivery.

### **3.3 Promoting International Trade through NSIC B2B Web Portal [www.nsicindia.com](http://www.nsicindia.com)**

A new B2B web portal [www.nsicindia.com](http://www.nsicindia.com) for MSME's was launched by Shri. Dinsha J. Patel, Hon'ble Minister of Micro, Small and Medium Enterprises (Independent Incharge), Govt. of India on 12<sup>th</sup> August, 2009 at New Delhi. Shri Dinesh Rai, Secretary, Ministry of MSME and other senior officers of the Ministry of MSME and representatives of Industries graced the occasion.

This portal aims to promote International trade through B2B Web Portal. Potential beneficiaries would be MSMEs seeking business collaborations and sub-contracting opportunities, joint ventures, exporters and importers, and those looking for technology transfers.

The new Web Portal is available at [www.nsicindia.com](http://www.nsicindia.com), which is one of the most advanced technology based B2B portals which shall help the MSMEs to showcase their products and services along with portfolios globally.

The portal has facilities like Product specific database searches, Country specific global tender notices, Business Trade Leads from more than 200 countries, Automatic Match Making and Payment Gateway for membership subscription.

### 3.4 **International SME Development Web Portal**

NSIC launched its International SME Development Web Portal to facilitate MSMEs support institutions to exchange their information in respect of technologies, investment opportunities and marketing of products and services of SMEs in the country to the other partner countries. NSIC has signed MoUs with countries' specific SMEs' support institutions acting as a pro-active partner for the development of SMEs. Presently, there are 25 country specific SME support institutions, whose profile alongwith other relevant information is uploaded on the portal.

The Website, being forerunner of its kind, is significantly assisting the selected International SME Support Institutions in communicating electronically and disseminating key information on Marketing, Technology and Investment opportunities to SMEs across the world.

The salient features of this Portal are as follows:-

- **Newsroom on Home page**

The recent and major International Events which are organized by Partner Institutions are listed on web portal with brief details and images.

- **Country & Partner Institutions' Profiles**

The Web portal is enriched with the Profiles of partner countries & SME development Institutions with which NSIC has signed MoUs. The profiles contain demographic, political, economic, investment and other resources details along with economic and investment indicators.

The important and relevant events organized by the partner institutions and other organizations are listed in the Web portal.



- **Trade Statistics**

Recent Export -Import statistics of the identified countries which are doing business with India have been obtained from authentic Customs data and posted on the Web Portal. The data can also be downloaded from the web portal in Excel sheets for further processing.

#### **4.0 International Co-operation**

NSIC is providing consultancy services in diverse areas namely:

- (i) Policy and Institutional Framework,
- (ii) Business Development Services,
- (iii) Capacity Building of Institutions engaged in MSME development.

NSIC executed Consultancy Assignments and as a result of the same was awarded the order for supply of 20 small projects on turnkey basis for setting up two Technology Demonstration-cum-Training Centers (TDTCs). The projects inter-alia included the machinery in respect of Exercise Note Book; Wire Nail Making; Barbed Wire Making and MS Wire Drawing. NSIC has supplied the projects and established these TDTCs at Pietermaritzburg and Durban in KZN Province, South Africa.

#### **4.1 Techmart India, 2008**

NSIC organized Techmart India, 2008, coinciding with India International Trade Fair (IITF) at Pragati Maidan, New Delhi during November 14-27, 2008. A total of 205 units including 50 units from NER participated in the event. The display covered a wide range of products and services from all focused sectors. A new initiative of providing special enclosure of "Working Techmart" where stand-along technologies for entrepreneurs were on display besides live cluster demonstration of units from NER. Foreign delegates from South Africa; Poland; Saudi Arabia; Senegal; Nigeria; Mozambique; Sri Lanka; Brazil; Afghanistan; Nigeria; Iran; Botswana; Libya; Ethiopia; Angola and Tunisia visited Techmart. NSIC was awarded the Gold Medal for Best Display amongst the Public Sector Undertakings' by the India Trade Promotion Organisation.

#### **4.2 Tri-nations summit comprising of India, Brazil and South Africa (IBSA)**

NSIC organised 3<sup>rd</sup> Tri-nations Summit comprising of India, Brazil and South Africa (IBSA) from Nov.18 to 21,2008 in which 12 delegates from SEBRAE, Brazil and around 43 delegates from South Africa comprising of policy makers and industry representatives participated.

The Theme of the summit was “Innovative models for creating sustainable self employment opportunities and developing a strategy at institutional level for enhancing competitive strengths of SMEs of India, Brazil and South Africa to meet global challenges”.

The objectives of the summit were as follows:

- To enhance inter-institutional relations for promoting small business development in these countries.
- To enhance enterprise to enterprise cooperation between small enterprises of these countries in terms of technology transfers, joint venture partnerships and other forms of sustainable business alliances.
- To exchange experiences and sharing of practices in enhancing competitiveness and innovation for sustainable development of small enterprises.
- Promoting low-cost manufacturing technologies among these three countries.

#### **4.3 NSIC Business Delegation to Brazil (December 9-12, 2008)**

A business delegation comprising MSMEs and representatives of Uttar Pradesh Industrial Consultants Ltd. (UPICO) led by Secretary, MSME, visited Brazil from December 9 to 12, 2008. The objective was to participate in the trade fair organized by UPICO at Sao Paulo, Brazil, with a view to enhance enterprise-to enterprise business alliances amongst MSMEs of India and Brazil, and also to hold discussions with Government of Brazil and SEBRAE, Brazil for future business development between India & Brazil in the MSME sector.

## **5.0 North Eastern Region**

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

5.0.2 NSIC also has a Demonstration-cum-Training Centre at Guwahati, which provides technical training and organizes skill upgradation programmes and entrepreneurship development programmes.

5.0.3 Inauguration of Incubator at NTSEC-Guwahati: The Incubation centre at Guwahati was inaugurated on 04.12.2008 by Sri Dinesh Rai, Secretary, MSME, Govt. of India. In this incubator 17 projects like wax candle making, c-brick making, blow molding, leather footwear making etc. have been installed. During the year 842 trainees have undergone the training in the incubator.

## **6.0 Capital Structure & Borrowings**

The Paid-up-Capital of the Corporation remained unchanged at Rs. 232.988 crore. Loans from financial institutions and banks were of the order of Rs. 283.14 crore as against Rs. 151.27 crore at the end of the previous year. Repayment of installments and interest due till 31<sup>st</sup> March, 2009 in respect of all loans were made on the due dates.

## **7.0 Investment**

Corporation had 12,14,000 equity shares of Rs.10/- each in Singer India Ltd. M/s. Singer India Ltd. had informed its shareholders that the Board of Industrial & financial reconstruction had vide its order4 dated 28<sup>th</sup> April,2008 had approved the rehabilitation scheme for the revival of the company pursuant to which there would be 90% reduction in its paid up capital. Accordingly the number of shares of the Corporation would be reduced to 1,21,400. NSIC was never informed about the same, as this action adversely affected the Corporation it was decided to proceed legally against the company by filling a Writ Petition in Hon'ble Delhi High Court and also an appeal in AAIFR. The matter is still pending in Hon'ble High Court.

In addition to this Corporation had made investment of Rs. 10 lac in equity of SIPPO and Rs. 5 lac in equity of SIPMO. Both these Companies were set up for marketing the products of small industries.

## 8.0 Fixed Deposit Scheme

Your company has not accepted any Fixed Deposits and as such no amount of principal or interest is outstanding as on 31<sup>st</sup> March, 2009.

## 9.0 Industrial Relations & Human Resource Management

9.1 The total manpower of the Corporation as on 31<sup>st</sup> March, 2009 was 839 as against 848 in the previous year.

The break-up of the manpower was as follows:

S. No.	Description	As on 31.03.2009	As on 31.03.2008
1.	Managerial	353	345
2.	Supervisory	132	146
3.	Non-Supervisory	354	357
	<b>Total</b>	<b>839</b>	<b>848</b>

## 9.2 Human Resource Development & Training

### Training:

Training is an integral part of Human resource Development for any organisation. Keeping in view, this fact it was decided to update the knowledge of personnel through training as it plays a key role and acts as a vital instrument. Various training programmes were organized for various levels of personnel. During the year 2008-09, 23 major in-house training programmes were organised which included Management & Executive Development Programmes, training programmes on creative problem solving & decision making and on self development. In order to strengthen the Quality Management System 4 Internal Quality Auditors Programmes, 3 Basic ISO Training Programmes were also organised.

## **10.0 Personnel and Industrial Relations**

During the year 2008-09 cordial and good relations were maintained with employees' unions and Officers Association. As a result, there is peace and harmony and no disturbance. Overall, industrial relations were harmonious during the year.

## **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 remuneration above the specified limits.

## **12.0 Representation of SCs, STs and Minorities**

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

## **13.0 Vigilance Activities**

The Vigilance department not only assists the Management in punishing the unscrupulous employees for their proven acts of misconduct, but also help in saving the honest and efficient officials from any harassment by way of false and motivated complaints made out of personal vendetta. Besides, this the Vigilance department also coordinates with CVC, CBI and other outside related agencies.

During the year 2008-09, a Vigilance Awareness Week was observed from 3<sup>rd</sup> November,2008 to 7<sup>th</sup> November,2008 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 Immovable Property Returns of all the Officers of "A" Category of the Corporation were scrutinized and action taken as felt necessary based on such scrutiny. A number of surprise visits and checks were carried out in various offices of the Corporation and corrective steps taken wherever required.

## **14.0 Corporate Social Responsibility**

From the idea of Corporate Governance and business ethics flows the concept of "Corporate Social Responsibility". It is the duty and responsibility of every organisation to share the burden of the society to develop and mentor the community. Your company has always been supporting good social causes for the betterment of the society. In continuation of the same your Board of Directors had allocated a fixed amount to be utilized towards Corporate Social Responsibility initiatives in the areas related to the business of the Corporation as the natural corollary to the business.

Accordingly, training was imparted to special categories of persons like deaf & dumb, physically handicapped, SC, ST, OBC, Women Entrepreneurs, Persons Below Poverty Line in the fields like tailoring, wool knitting, candle making, silk screen printing, pet bottle making, toilet paper roll, block printing, leather footwear, readymade garments, computer embroidery, soya milk making, blow moulding etc. at technical centres of the Corporation.

## **15.0 Citizens Charter**

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

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

The Corporation signed a MoU with the Ministry of Micro, Small and medium enterprises for the year 2009-10.

On the basis of performance for 2008-09, the grading of MoU Composite Score of the Corporation stood at "Excellent".

## **17.0 Rajbhasha**

With a view to implement the Official Language Policy of the Government of India and to ensure the progressive and effective use of Hindi in the Corporation, Hindi Section is functioning in the Corporate Office. During the year, Hindi Divas was observed in Corporation and its Branches located at various places and Hindi Pakhwara was organised in Corporation from 15<sup>th</sup> – 29<sup>th</sup> September, 2008 for propagation of Hindi language. To encourage the participation by the Corporation's employees in Hindi competitions, the number of cash prizes was increased. During Hindi Pakhwara competitions in Noting and drafting Typewriting, Essay, Speech etc. organised to enhance the competitiveness amongst the employees.

The meetings of the Official Language Implementation Committee of the Corporation and Hindi Workshops were regularly organised. Inspections of various offices of the Corporation located at different places of the country were also carried out. More than 50% of the total amount earmarked for purchase of books was incurred on purchase of Hindi books.

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

During intensive campaigns conducted by NSIC for propagating schemes for MSMEs, participants were apprised about the Corporation's schemes in Hindi language, therefore, the literature was got printed in Hindi for distribution. The Hindi house journal of the Corporation namely "NSIC PARIWAR" was brought out during the year.

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

The Third Sub-Committee of Parliamentary Official Language Committee inspected NSIC's Head Office on 26<sup>th</sup> September, 2008. The suggestions made by the Sub-Committee were brought to the notice of the Head of Divisions for ensuring the progressive use of Hindi language in their official work.

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

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

## **19.0 Foreign Exchange**

The Corporation is earning foreign exchange by export of products of small scale sector as well as supply of turnkey projects to developing countries. During the year 2008-09, Corporation earned foreign exchange valuing Rs. 342.52 lac from activities abroad.

## **20.0 Board of Directors**

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

## **21.0 Audit Committee**

The Board Audit Committee consisted of Shri S.A.T. Rizvi, Shri Rakesh Rewari and Shri Dilip Phukan.

The Board Audit Committee met three times during the year. The terms of four independent Directors was upto 21<sup>st</sup> Noveber,2008. The proposal for appointment of other Directors in lieu thereof is under process, hence the Audit Committee could not be re-constituted after 21<sup>st</sup> November, 2008.

## **22.0 Director's Responsibility Statement**

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

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.



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

### **23.0 Corporate Governance**

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

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

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

The review of the accounts of the Corporation for the year ended 31<sup>st</sup> March, 2009 by the Indian Audit and Accounts Department together with comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956, are also annexed.

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

## 25.0 Acknowledgements

The Directors wish to place on record their deep 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, Ministry of Steel, Planning Commission, Department of Public Enterprises. The Directors also thank the AS&FA, AS&DC (MSME). The Directors are grateful to the Comptroller and Auditor General of India, Member Audit Board and the Statutory Auditors for their valued co-operation.

The Directors also acknowledge the valuable assistance provided by Hongkong and Shanghai Banking Corporation Ltd., Punjab National Bank, Chinatrust Commercial Bank, United Bank of India, Corporation Bank, Bank of Tokyo and IndusInd Bank.

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

On behalf of the Board of Directors

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

New Delhi  
27<sup>th</sup> August, 2009

## **REPORT ON CORPORATE GOVERNANCE**

### **I. Board of Directors**

The strength of the Board was ten Directors of which one is Chairman-cum-Managing Director, two Functional Directors, two Nominee Directors of the Government of India and five independent Non-executive Directors. The tenure of five Directors was completed In November, 2008 and proposal for appointment of new Directors is in process .All the Directors are professionals from diverse fields having valuable experience in management, legal, administration and finance.

The meetings of Board of Directors are held at periodical intervals. During the year under review, eight board meetings were held on 6<sup>th</sup> June, 2008, 12<sup>th</sup> August, 2008, 29<sup>th</sup> August, 2008, 13<sup>th</sup> October, 2008, 5<sup>th</sup> December, 2008, 5<sup>th</sup> January, 2009 and 27<sup>th</sup> March, 2009.

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, 2009, 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 29 <sup>th</sup> Aug., 2008	No. of outside directorships
1.	Dr. H.P. Kumar Chairman-cum- Managing Director	Executive	8	Yes	-
2.	Shri Pravir Kumar	Government nominee	8	Yes	Two
3.	Shri S.K. Sinha	Executive	8	Yes	-
4.	Shri S.C. Goyal	Executive	8	Yes	-
5.	Shri R.K. Manchanda	Government nominee	4	Yes	-
6.	Shri S.A.T. Rizvi*	Non-Executive Independent	2	Yes	-
7.	Shri Rakesh Rewari	Non-Executive Independent	6	Yes	Seven
8.	Shri Dilip Phukan*	Non-Executive Independent	5	Yes	-
9.	Shri T. Narayanaswamy*	Non-Executive Independent	4	Yes	-
10.	Dr. Dinesh Awasthi*	Non-Executive Independent	2	-	-

\* The tenure of Shri S.A.T. Rizvi, Shri Dilip Phukan, Shri T. Narayanaswamy and Dr. Dinesh Awasthi was upto 21<sup>st</sup> November, 2008

The Audit Committee was constituted in conformity with the requirements of Section 292A of the Companies Act, 1956. The committee comprised of three non-executive independent Directors namely: Shri S.A.T. Rizvi, Shri Rakesh Rewari, and Shri Dilip Phukan. Members of the committee are well versed with Finance, Accounts, Law and General Business Practices. The committee acts as a link between Statutory Auditors and the Board of Directors.

During the year ended on 31<sup>st</sup> March, 2009, the committee met three times, i.e. 12<sup>th</sup> August,2008, 29<sup>th</sup> August,2008 and 13<sup>th</sup> October,2008. After the term of three Directors Shri S.A.T. Rizvi, Shri Dilip Phukan and Shri T. Narayanaswami, the Audit Committee was not re-constituted as the process for appointment of Independent Directors was in process.

The composition and attendance of the members of the committee is as follows:

<b>S. No.</b>	<b>Name of Director</b>	<b>No. of meetings attended</b>
1.	Shri Rakesh Rewari	2
2.	Shri Dilip Phukan	3
3.	Shri S.A.T. Rizvi	2

The role and terms of references of audit committee cover areas mentioned in section 292A of the Companies Act, 1956, as amended from time to time besides other matters as referred by the Board of Directors.