

# 2016-17 ANNUAL REPORT



Foundation for MSME Clusters



Our mission is to assist institutions undertake effective and inclusive cluster based local area development in developing and transition economies.

## Table of Contents

Our Approach	5
Foreword	7
2016-17 Highlights	9
Program Impact	11
Partners & Supporters	23
Financial Performance	24
Leadership	25
Auditor's Report And Audited Statement of Accounts	27



# Our Approach

The Objective of the Foundation for MSME Clusters is to improve the competitiveness and thereby the growth of MSMEs in India. We believe that strong clusters and networks are essential to strengthen the ecosystem of MSMEs. They enable small enterprises to overcome the limitations of their size in obtaining resources and accessing markets, and they enable cooperative programs to improve technology and skill development. Therefore our approach to growth of MSMEs gives great emphasis to solutions that strengthen aggregation of MSMEs while also addressing the needs of units.





# Foreword

2016-17 was a difficult year for MSMEs. Many were badly hit by the ‘demonetisation’ of the Indian currency in November 2016 because they could not make the small payments usually made in cash to their workers and suppliers, and receive payments in cash from their customers too. However, on the positive side, the role that MSMEs play in the economy, particularly in creating employment, is being recognised by policy-makers. Thus, in the government’s drive to improve ‘ease of doing business’, the impact on MSMEs of regulations and their administration is receiving more attention than hitherto. Schemes to improve MSMEs access to finance are receiving greater attention too. The government’s drive to digitise financial transactions, which was boosted by the demonetisation scheme, should also help MSMEs in the long run. Similarly, while GST should improve the environment for business soon, the introduction of GST has disrupted the businesses of MSMEs. All these moves to improve the environment for MSMEs should make it easier for MSMEs to do business in the long run, provided they are effectively implemented and sustained. Meanwhile, MSMEs must contend with the present condition of the overall economy, which has been sluggish because large industries have not been expanding and the overhang of NPAs in the banking system continues.

The Foundation of MSME Clusters has been affected by a tightening of budgets within its traditional sources of funds. Budgets of all multi-lateral agencies are being squeezed by budgetary constraints in their principal donor countries. Whereas the ‘2% CSR’ law has increased (though by not too much so far), expenditure by corporations on broader societal needs, it has not helped MSMEs and FMC much, because most of the CSR money is now flowing into governments’ social programs such as sanitation, primary education and primary health.

FMC has been through a tough year. I am glad to say that it has pulled through well because of the investments it has made in the past in client relationships, as well as the commendable dedication of FMC staff. Though the overall environment has not changed much, projects in hand with FMC and in the pipeline suggest that 2017-18 will be a much better year for FMC than 2016-17 was.

Turning to the future, I am glad to say that FMC is also focused on fulfilling the core purpose for which it was created. This purpose was stated in its founding trust deed. It was “to not only continue the process of mutual sharing and learning but also to undertake a number of initiatives to spread the movement for entrepreneurial development through holistic cluster development in the country”. The intention was not to create another provider of direct services to MSMEs but to stimulate an ecosystem in which MSMEs can thrive. The characteristics of this ecosystem are: stronger clusters within which MSMEs can have more strength, and a growing network of providers and partners for MSMEs and their clusters. FMC would be itself one of these ‘providers and partners’ for MSMEs and their clusters. Indeed, such projects would be the principal source of revenues for FMC. However, FMC has a higher calling to be a catalyst for strengthening the overall environment for MSMEs by stimulating the strengthening of clusters and creation of larger and stronger networks of providers and partners for MSMEs.

The top management of FMC, with the assistance of FMC’s board, is developing strategies for strengthening FMC’s catalytic role. And I hope that, next year, we can report satisfactory progress of these.

I wish to conclude with gratitude to Mukesh Gulati, the executive team, and all the staff of FMC for their dedication to the cause of MSMEs, and their unswerving service in the face of challenges. I must warmly thank the members of FMC’s board. They have been giving great support to the executive team, and to me in my role as Chairman.

**Arun Maira**  
**Chairman**  
**Foundation for MSME Clusters (FMC)**



# 2016-17 Highlights

in line with Government of India policies towards achieving Sustainable Development Goals 2030



6000 metric tons of CO2 emissions reduced ensuring responsible production in MSMEs: Goal 7, 12 and 13 of SDG 2030 and Zero Defect Zero Effect



More than 3,000 MSMEs experience *less accidents* and *better productivity* with improved Occupational Health and Safety systems: Goal 8 of SDG, National Policy of safety, health and environment in work place (Ministry of Labor and Employment)



*Private sector governance* system strengthened through more than 200 BMOs trained to be commercially more sustainable benefitted 20,000 enterprises: Goal 17 of SDG, Make in India



The state of Madhya Pradesh adopts Cluster Development Policy as a tool for *economic development*: Goal 17 of SDG, *collaborative federalism* promoted by Govt. of India





Program  
Impact



# ENVIRONMENTAL SUSTAINABILITY

## Getting Businesses Recycle Waste: An initiative to boost Circular Economy

Solid waste management is one of the major challenges faced by India as well as many countries around the globe. Inadequate collection, recycling or treatment and uncontrolled disposal of waste into the environment can lead to severe hazards, such as health risks and environmental pollution. This is more of a problem in the sector of Micro, Small and Medium Enterprises (MSMEs). Foundry is one such polluting sector, generating air and solid waste pollution. The major solid waste coming out of foundries are burnt sand and slag. A production of around 10 million Metric Tons (MT) of casting per year generates almost 500,000 tons of slag, which is presently being used for land filling while some of it is dumped into ponds. However this can be a resource for another industry- an industrial symbiosis that helps realize circular economy; an industrial system that is restorative or regenerative by intention and design.

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*This project targets a total of 50 enterprises (40 new and 10 existing) to be established for commercialization of paver blocks made through foundry waste. A total of 7 enterprises have been set up using the technology. The Industrial Symbiosis not only manage waste but also reaps commercial benefits for MSMEs.*

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Department of Science & Technology, Government of India funded a project *Promoting Sustainable and Inclusive Growth by Enterprise Creation through S&T Based Innovative Solutions (Sub-Sectors: Foundry Waste)* for establishing enterprises to develop paver blocks from foundry slag. Under the project, the foundry waste from



the targeted clusters are being used for manufacturing paver blocks/bricks, thereby solving the disposal of foundry wastes in these clusters. The project is working towards *creating new enterprises and assisting existing enterprises* across India to undertake Recycling and waste-to-wealth management of solid wastes generated in foundry enterprises as new entrepreneurial opportunity for reaping economic-environmental benefits.

# ENVIRONMENTAL SUSTAINABILITY

## Making MSMEs in India Efficient, Sustainable and Green

The MSME sector has a tremendous potential of MSMEs for driving economic growth, whereas it also consumes a considerable amount of natural and exhaustible resources. “Say Yes to Sustainable MSMEs in India”, a Yes Bank Limited CSR funded initiative implemented by FMC helps improve the overall sustainability of MSMEs including Economic (through Financial Literacy), Environmental (through Energy Efficiency interventions) and Social (through Occupational Health & Safety (OHS) Interventions) dimensions.

The initiative focuses on operational efficiency of MSMEs by reducing their energy consumption and improving their health and safety standards. This initiative was launched in 2014-15 with FMC as the implementation partner has cumulatively has impacted 3252 MSMEs and benefitted 23,112 workers across 11 states, 18 locations and 13 MSME sectors including Foundry, Dyeing, Rubber, Plastic, General Engineering, Textile, Rice Mills, Auto ancillaries, Industrial Tools and Pumps, Sports Goods and, Handicrafts. The year 2016-17 benefitted 10,425 workers across 2229 MSMEs

on Energy Efficiency and OHS through sensitization workshops, safety trainings, first-aid trainings, and health camps. Creation of 25 model MSMEs with implementation of Energy Efficiency measures leading to 6000 Metric Tons of reduction in CO2 emissions and improving their working conditions.

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*Introducing the concept of “Sustainable MSMEs” helping them improve their OHS conditions and reducing energy consumption, ‘Say YES to Sustainable MSMEs in India’ has helped bridge the gap between MSMEs and green growth, thus expediting the shift towards low carbon growth. – 3rd year in partnership with Yes Bank*

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The partnership with Yes Bank continues with scaling up of the on-going initiatives and taking new steps toward “Sustainable MSMEs”.

# SMART LIVELIHOODS

## Strengthening Cluster Eco-Systems to create Smart Clusters and Smart Cities

This initiative aims at encouraging select MSME clusters to gradually develop themselves into “Smart Clusters” in order to become a strong pillar of the “Make in India” initiative. The importance of strengthening the cluster ecosystems, build competencies of the key stakeholders and take up strategic interventions to make them competitive destination for manufacturing.

FMC in the role of a Design, Monitoring and Evaluation Agency (DMEA), a SIDBI funded initiative, is working in 5 manufacturing clusters of Ludhiana, Rajkot, Coimbatore, Bhagalpur and Agartala and guiding the entire process of designing and execution of the cluster development. In order to ensure sustainability, DMEA focuses on institutional capacity building and strengthen linkages with value chain stakeholders within and outside the clusters, besides public and private institutions. The structural design of interventions consists of three institutional layers viz. (i) Design Monitoring & Evaluation Agency (DMEA), (ii) Theme Intervention Experts (TIEs) for Skill and Infrastructure Development and (iii) Cluster Intervention Teams (CITs). This 36 month long project which began in Feb, 2016 hinges on the strength of local leadership and the governance structure of Business Membership Organizations (BMOs) that is more enabling for it to play the intended role of a catalyst and at the time as the implementer of select interventions.

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*Supporting a new endeavor to create smart livelihoods in 5 clusters. Collaborating with 7 agencies and SIDBI in the Cluster Development process creating Smart Clusters and Smart Cities thereafter*

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Seeking their role as vision builder and catalyst to bring its members together for a common cause, draw up an action plan and work with a range of institutions & individuals to achieve the intended goal. The project enables the industry to play a more pro-active leading role to shape a strategy of BMOs following sound economic development principles.

# LIVELIHOODS

## Embroidery to Employment

The 2016 India Innovation Grant Program of the Citi Foundation, aims to leverage technology and engage stakeholders to further national approaches that will advance sustainable, innovative, scalable models with measurable impact. Under this program FMC intends to enhance income opportunities and create new employment for embroidery artisans of Agra through its initiative "**Embroidery to Employment**"

There are approximately five thousand artisans engaged with embroidery work in Agra and surrounding villages. Although once a flourishing trade, over a period of time artisans have been facing challenges in sustaining their livelihoods only on the basis of the embroidery work they do. The limited market opportunity and more importantly, the lack of design/product innovation and influx of machine made embroidery products have made it difficult to remain competitive in the market. Handcrafted embroidery is an age-old prized tradition of India, deeply embedded into the country's cultural fabric, and the artisans of those days were revered masters of craft. However due to the lack of income opportunities, artisans are forced to become laborers in agriculture and industry.

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*Training lead artisans directly to develop trainers for other artisans. A total of 150 women lead artisans being trained and linked with market. Also creating product innovation centers as community enterprises building collectivism among artisans and ensuring sustainability.*

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Under the 2016 India Innovation Grant Program, the Foundation for MSME Clusters (FMC) aims to infuse new skill sets as per market requirement and enhance income opportunities by 30 to 50 per cent among 500 embroidery artisans in Agra (100 embroidery artisans directly and another 400 artisans indirectly) through a self-propelling model. The initiative will create new skill sets and

designs, production process as per the market requirement. It also aims at developing market linkages leading to new livelihood opportunities. Product innovation centers will be created as community enterprise building collectivism among artisans and ensuring sustainability beyond project period.

# LIVELIHOODS

## Strengthening Livelihoods in Traditional Industries by setting up Common Infrastructure



FMC is the Technical Agency (TA) for Coir Board and KVIC under the Revamped SFURTI Scheme in the 9 states of Karnataka, Tamil Nadu, Andhra Pradesh, Telangana, West Bengal, Odisha, Madhya Pradesh, Haryana and Punjab. A total of 19 clusters are been supported by FMC as a Technical Agency (TA) to help local artisan communities set up common facilities for their sustainable growth. This is an on-going initiative to rejuvenate the traditional industries by introducing new technologies, creating new designs, improving processes and building capacities of members of these industries.

## Employment Generation through Skill Development in clusters of West Bengal

FMC as Project Management Consultant (PMC) has been engaged to carry out studies, prepare diagnostic studies and detailed project reports, capacity building and provide project management services for implementation of cluster development programme. As a project Management Consultant (PMC) of the Cluster Development Programme in West



Bengal, FMC has organized workshops, exposure visits and is also exploring the possibility of setting up small common facilities which are built up and managed by the communities themselves. This work is being done in various sectors such as clay & ceramics, brass & bell metal, metal fabrication & furniture, jewelry products, fiber based products, automobile servicing, readymade garments, wooden furniture etc. These activities are continuing along with Government of West Bengal wherein FMC is suggesting short and long term interventions of the clusters pursuing Cluster Development as a means of local economic development in West Bengal.

# POLICY RESEARCH

## State of Madhya Pradesh adopts Cluster Policy as a tool for Economic Development

Inclusive and sustainable industrial development to a large extent depends on successful integration of domestic enterprises into global and regional value chains, embracing better quality standards and business practices, accessing international markets, adopting new technologies and skills, and strengthening their capacity to innovate. To successfully achieve this, there is a need for a sustained business enabling environment that on the one hand meets the changing needs of enterprises and on the other supports continuous process of structural transformation involving industrial and technological upgrading, diversification and so on.

Cluster led and value chain based economic development models are well accepted across the globe as key to future leadership and sustainability of MSME sector. Several countries in the world and also central ministries and states in India have taken up initiatives to foster cluster based growth through policy strategy, stimulating knowledge information systems, setting up new coordination mechanisms and creating linkages between relevant institutions and thus, were able to create triggers on enhancing MSMEs' competitiveness and growth. To design an appropriate cluster development roadmap for MP, it is important to understand usefulness of the existing models and methodologies employed by these agencies in different geographies and draw learning from them.

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*Focusing on Sustainability of cluster development initiatives and the institutional set up, the study also emphasizes on capacity development of key stakeholders and building private/ public partnerships.*

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The study designed by AIGGPA (Atal Bihari Vajpayee Institute of Good Governance and Policy Analysis) is a step towards this. FMC as a pioneer agency in the cluster development area, had been entrusted with this responsibility of undertaking this study. This study produced, A step by step process-guide for cluster development and a Cluster policy that will be implemented by the slate government

## Sustaining Inclusive growth and employment creation through supporting productive clusters in Rajasthan



The prime objective of this intervention is to enable the Government of Rajasthan to implement a ‘fresh approach’ to maximize employment creation and value addition from clusters and thus fulfil their intended role as a major catalyst for sustaining inclusive economic growth. In the project “Supporting Rajasthan's productive clusters in the Delhi-Mumbai Industrial Corridor” implemented by Ecorys in which FMC has been involved as a capacity building expert institution on clusters. FMC is also providing guidance and handholding support to the Department of Industries, Government of Rajasthan and MSMEs along with their industry associations to increase awareness of the significance of productive clusters. FMC has also helped design various training and capacity development programmes for the policy stakeholders and industries. The initiative also includes capacity building in terms of process of their development in the industrial corridor, ways to promote international competitiveness & efficient implementation of existing government initiatives to improve ease of doing business.

## Supporting Skill Development through creating self-learning training delivery systems for the unorganized sector

In order to promote Vocational Skill Development through the use of technology enhanced learning and open educational resources, this project implemented by Common Wealth Educational Media center for Asia (CEMCA) aims to develop training content for artisans/workers on efficient use of bamboo resources” and generate sustainable employment.



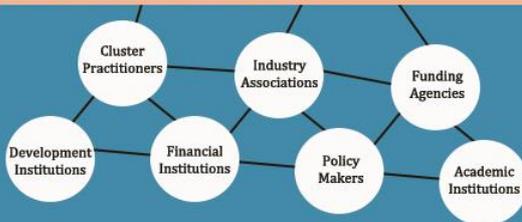
To facilitate technical and vocational skill development, the project developed video and text course curriculum and content for *seasoning, storage, grading and sorting of bamboo products; Making of contemporary embroidery handicraft making (20 designs in 4 product lines)*. These videos are available on FMC’s You tube channel at the following link: <https://www.youtube.com/playlist?list=PLJwVFrDdsQLEfX5xDQBex-Jengcy8035T>. These will be used by the various sector skill councils and a forthcoming project of FMC funded by SAARC development fund and NABARD

# Cluster Observatory: A Knowledge hub for Policy and Practitioners

## About Cluster Observatory....

An online platform that provides a single access point to information of MSME clusters and cluster policy in India.

Bridges the information gap and enables cross learning among cluster stakeholders like:



## What does the Portal have....

- List of more than 5000 MSME Clusters i.e. Industrial, Handicraft, Handloom etc.
- Cluster Map with over 1000 MSME cluster profiles
- Information on various interventions made in Clusters
- Diagnostic Study Reports (DSRs) of Clusters
- Cluster knowledge bank: sector reports, evaluation studies, methodology documents and much more....



Government of India has a number of schemes and programmes to help and assist entrepreneurs and specially MSMEs.

A compendium of information becomes a ready reference and reckoner for everyone.

Information available would enable prospective and existing MSMEs to spiral up their business prospects.

## MSME Schemes

Repository of 205 Central Government Schemes across 26 Ministries/Institutions 18 Target Communities/Sectors and 15 Thematic areas like Research, Skill, Technology etc....



## **Fostering Collective CSR among MSMEs** **3rd Annual Award for “Responsible Indian BMOs”**

Following the footsteps of previous years, Foundation for MSME Clusters organized the 3rd Annual Award for “Responsible Indian BMOs” on February 10, 2017 at India International Centre, New Delhi. The event disseminated nationally and internationally the inspiring work done by select BMOs and successfully inspired the other BMOs to adopt National Voluntary Guidelines and adopt processes for zero effect zero defect (ZED) and encouraged them to promote responsible business practices among MSMEs. Shri Ramesh Abhishek, Secretary, DIPP, Ministry of Commerce and Industry, Government of India inaugurated the event and put forth the importance of creating an enabling environment to support start-ups in the country. He also mentioned the various initiatives by DIPP to create growth opportunities for the MSMEs through industrial corridors, industrial parks and so on.

This year the platform was also utilized to create a linkage between the start-ups who were present on that occasion with MSMEs through BMOs. The Department of Science and Technology supported this initiative and was keen to create a market place for start-up products whose low cost and low scale products suit the needs of MSMEs.



Shri K. K. Jalan, Secretary, Ministry of MSME felicitated the top 15 responsible BMOs of India. Mr. Jalan shared his concern that the MSMEs are not proactive in sharing information and urged the BMOs to spread this message among their member MSMEs. This would help the Ministry to further pursue the causes of MSME

development. Mr. Jalan also released a compendium of 15 case studies of responsible BMOs and a booklet of 50 start-up products. 143 BMOs applied for the Award, 15 BMOs made it to the final stage and 7 were finally awarded. The event was an overwhelming success with around 150 participants, many of them from 41 BMOs across 15 states attending and sharing their viewpoints.

# New Services



## Energy Audit

Detailed Energy audits for MSMEs to help them reduce their energy consumption without negatively affecting the output. Analyzing their energy flows to help them achieve the larger goal of energy conservation. A total of 22 energy audits completed in FY 2016-17



## Digital Marketing

Helping MSMEs become e-ready with various digital marketing tools in line with the digital India initiative of the government. Workshops on online tools that help them increase their outreach and spur their revenue growth. FMC has done two such workshops in FY-2016-17



## ZED Training

FMC is an empaneled consultant for the Zero Defect Zero Effect scheme of Govt. of India, which provides financial support to MSMEs in ZED certification, an extensive drive of the Government of India to enhance competitiveness of MSMEs by providing them training and handholding on Quality and Environment aspects. FMC has conducted three workshops with 60 MSMEs participating in them

# Partners & Supporters

## Government Partners



## International Agencies



United Nations Industrial Development  
Organization (UNIDO)



South Asian Association for Regional  
Cooperation (SAARC) Development Fund



CEMCA

## Corporates



YES BANK Ltd.

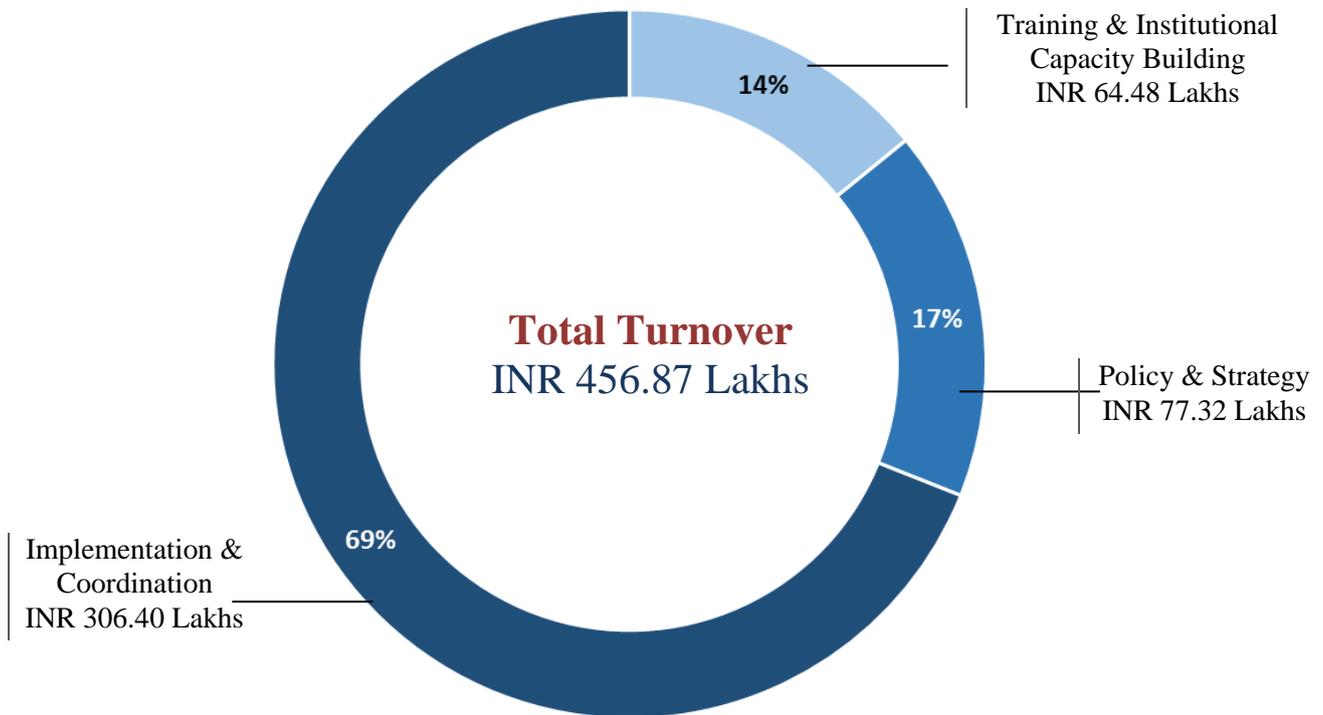


Commercial Finance  
Reliance Capital

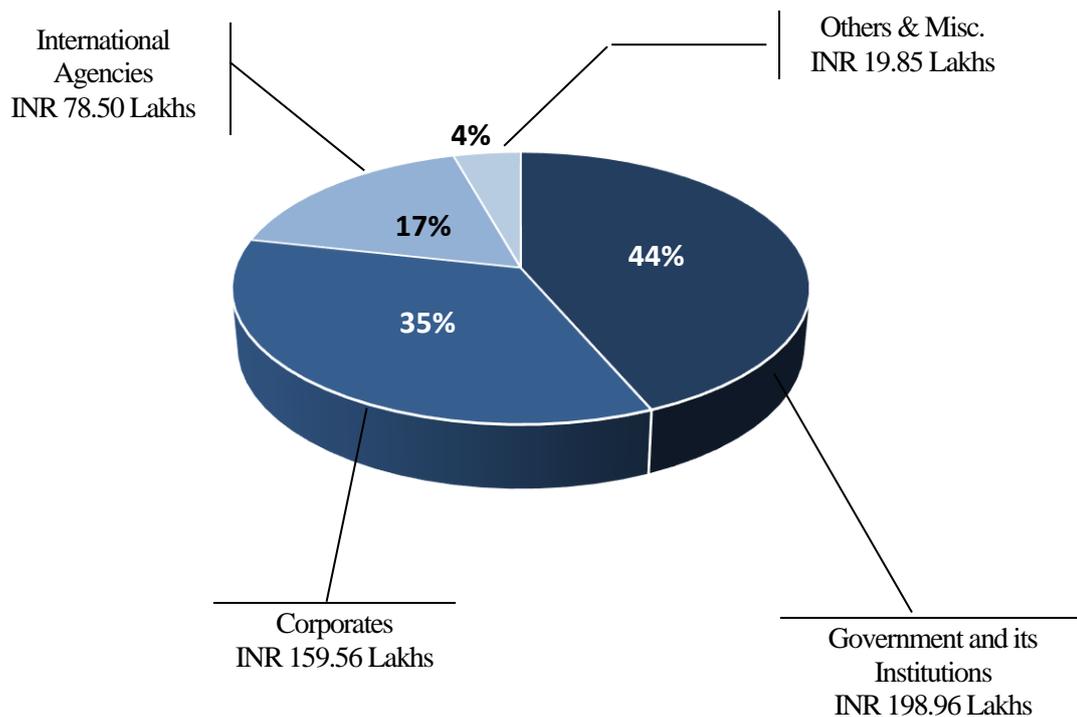


Citi Foundation

## Financial Performance (2016-17)

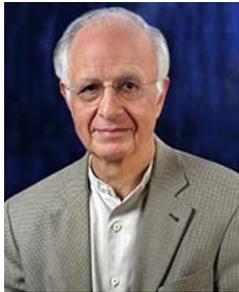


## Major Sources of Revenue



# Leadership

## Board of Trustees



**Arun Maira**  
Former Member  
Planning Commission



**Prof. Y.K. Alagh**  
Former Minister of Science & Technology



**Dr H.P. Kumar**  
Former Chairman & Managing Director,  
NSIC



**Rakesh Rewari**  
Former Deputy Managing Director, SIDBI



**Madhav Lal**  
Former Secretary  
Ministry of MSME, Govt. of India



**Dr Sunil Shukla**  
Director EDII, India



**Dr Veena Joshi**  
Former Senior Advisor, Swiss Agency for  
Development Cooperation (SDC)



**Meera Shenoy**  
Founder Youth for Jobs

## FMC Team



**Mukesh Gulati**  
Executive Director



**Dr. Tamal Sarkar**  
Director



**Sangeeta Agasty**  
General Manager



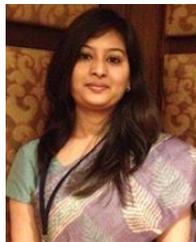
**Vishal Dev**  
General Manager



**ASK Sharma**  
General Manager



**Sagnik Lahiri**  
Sr. Manager



**Neetu Goel**  
Sr. Manager



**Anijit Bhattacharya**  
Sr. Manager



**Suchismita Nayak**  
Manager



**Shivani Seth**  
Manager



**Renuka**  
Manager

Auditor's Report  
and  
Audited Statement of  
Accounts



# SRJN & Co. LLP

Chartered Accountants

S-5, Wadhwa Plaza-I, Plot No. 11, Central Market, Sector-6, Dwarka, New Delhi -11007

Phone: 42740280, 9810813280

E-mail: [rkn.fca@gmail.com](mailto:rkn.fca@gmail.com), website: [srjnllp.com](http://srjnllp.com)

## AUDITOR'S REPORT

To  
Board of Trustees  
Foundation for MSME Clusters  
New Delhi.

We have examined the Balance Sheet of FOUNDATION FOR MSME CLUSTERS (FMC), USO House, 2nd Floor, USO Road, Off Shaheed Jeet Singh Marg, 6 Special institutional Area, New Delhi-110067, as at 31<sup>st</sup> March, 2017 and the Income & Expenditure Account for the year ended on that date which are in agreement with the books of account maintained by the said organization.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides the reasonable basis for our opinion.

We have obtained all the information/explanations, which to the best of our knowledge and belief were necessary for the purpose of audit. In our opinion, proper books of account have been kept by the organization.

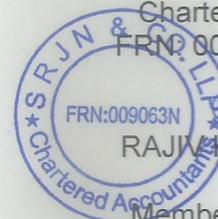
In our opinion and to the best of our knowledge and according to information and explanation given to us, the said accounts give a true and fair view.

- I. In the case of the Balance sheet, of the state of affairs of the above named organization as at 31<sup>st</sup> March, 2017 and
- II. In the case of Income and Expenditure Account, of the excess of Expenditure over Income for the accounting period ending on 31<sup>st</sup> March, 2017

For SRJN & CO. LLP

Chartered Accountants

FRN: 009063N/N500041



RAJIV KUMAR NAGPAL

Partner

Membership No.087401

Place: NEW DELHI

Dated: 10.07.2017

**FOUNDATION FOR MSME CLUSTERS (FMC)**  
 USO HOUSE, 2nd Floor, USO Road,  
 Off Shaheed Jeet Singh Marg,  
 6, Special Institutional Area,  
 New Delhi - 110067 INDIA



Foundation for MSME Clusters (FMC)  
 (ISO 9000:2008 Certified Organisation)

**BALANCE SHEET AS AT 31st March, 2017**

	SCHEDULE	As at 31.3.2017	As at 31.3.2016
<b><u>SOURCES OF FUNDS</u></b>			
<b><u>CAPITAL FUND</u></b>			
Corpus Fund		5,000	5,000
Reserve Fund	A	15,274,771	19,024,729
Fixed Assets Fund	B	123,982	2,694,389
		<b>15,403,753</b>	<b>21,724,118</b>
<b><u>APPLICATION OF FUNDS</u></b>			
<b><u>FIXED ASSETS</u></b>			
(A) Gross Block	C	1,334,582	3,457,179
(B) Less : Depreciation		250,906	233,720
(C) Net Block		<b>1,083,676</b>	<b>3,223,459</b>
<b><u>CURRENT ASSETS, LOANS &amp; ADVANCES</u></b>			
(A) Cash & Bank Balance	D	18,739,711	15,828,724
(B) Loans & Advances		2,280,988	2,538,750
(C) Receivables		9,702,598	18,849,379
		<b>30,723,297</b>	<b>37,216,853</b>
<b><u>Less : CURRENT LIABILITIES &amp; PROVISIONS</u></b>			
(A) Liabilities	E	16,335,720	18,671,193
(B) Provisions		67,500	45,000
		<b>16,403,220</b>	<b>18,716,193</b>
<b>Net Current Assets</b>	D-E	<b>14,320,077</b>	<b>18,500,659</b>
<b>TOTAL (Rupees)</b>		<b>15,403,753</b>	<b>21,724,118</b>

Notes on Accounts form an integral part of these financial statements

For FOUNDATION FOR MSME CLUSTERS (FMC)

**MUKESH GULATI**  
 Executive Director



PLACE : NEW DELHI  
 DATED : 10.07.2017

Auditor's Report

As per our separate report annexed of even date  
 For S R J N & CO. LLP  
 Chartered Accountants  
 FRN.009063N/N500041

**Rajiv Kumar Nagpal**  
 Partner  
 Membership No.087401



**FOUNDATION FOR MSME CLUSTERS (FMC)**  
USO HOUSE, 2nd Floor, USO Road,  
Off Shaheed Jeet Singh Marg,  
6, Special Institutional Area,  
New Delhi - 110067 INDIA

**INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDING ON 31ST MARCH, 2017**

EXPENDITURE	Current Year	Previous Year	INCOME	Current Year	Previous Year
To Audit Fees	75,000	50,000	By Consultancy Charges	19,061,844	14,644,353
To Consultancy Paid	8,260,967	15,538,836	By Donation	4,500	56,750
To Salaries and Bonus Paid	16,654,019	19,158,831	By Grants Received (Schedule- F)	25,982,436	51,048,242
To Stipend & Internship Expenses	130,000	158,510	By Interest from Savings Bank Account	74,655	
To EPF Contribution of FMC	1,173,067	1,154,013	By Interest on Income Tax Refund	170,275	
To EPF Processing & Admin Charges	83,802	79,625	By Interest On Bank Fixed Deposit	365,870	610,800
To Offices Rent	1,816,520	2,879,485	By Miscellaneous Income	27,894	1,108,117
To Office Expenses	1,541,063	3,018,561			598,106
To Legal & Professional charges	518,770	70,860			
To Foreign Exchange rate difference	111,497	56,444			
To Depreciation	250,906	233,720			
To Bank Interest & Charges	471,420	440,393			
To Community Welfare Expenses	74,670	28,900			
To Contingency Expenses	635,570	847,858			
To Board of Trustees' Meeting Expenses	392,242	375,201			
To Miscellaneous Expenses	115,174	70,564			
To Training & Exposure Visit Expenses	861,547	130,476			
To Travelling Expenses	5,072,531	7,114,742			
To Workshop Expenses	6,916,176	8,297,758			
To DST Grant Assistance for Innovation	1,552,242	450,000			
To Documentary Film Exp. (YBL-CSR)	352,619	524,692			
To EU Project Expenses Others	228,549	4,045,336			
To Loss on sale of equity shares	-	678,000			
To Unrecoverable balances w/off	2,123,130	1,486,517			
To Excess of Income over Expenditure trfd to Reserve & Surplus	-	566,246	By Excess of Expenditure over Income trf to Reserve & Surplus	3,724,006	
<b>TOTAL (Rupees)</b>	<b>49,411,480</b>	<b>67,455,568</b>	<b>TOTAL (Rupees)</b>	<b>49,411,480</b>	<b>67,455,568</b>

Notes on Accounts form an integral part of these financial statements

For FOUNDATION FOR MSME CLUSTERS (FMC)

MUKESH GULATI  
Executive Director  
PLACE : NEW DELHI  
DATED : 10.07.2017



Auditor's Report

As per our separate report annexed of even date  
For SRJN & CO. LLP  
Chartered Accountants  
FRN.009063N/N500041

Rajiv Kumar Nagpal  
Partner  
Membership No.087401



STATEMENT OF RECEIPTS & PAYMENTS FOR THE YEAR ENDED 31ST MARCH 2017

Receipts	Amount(Rs.)	Payments	Amount(Rs.)
<b>Opening Balances</b>		<b>Current Liabilities</b>	
A/c-357010100007429 (Axis Bank Limited)	871,908	Global Reporting Initiative (GRI)	3,746,479
A/c-357010100042291 (Axis Bank Limited) FCRA	513	Audit Fees 2015-2016	52,500
A/c-013694600000631 (Yes Bank Limited)	4,093,335		
Fixed Deposits-Axis Bank Ltd	10,862,967	Gratuity Paid to Staff	282,323
Cash in Hand	20,000		
Overdraft with Axis Bank	(7,865,966)	<b>Fixed Assets Purchased</b>	
	<b>7,982,757</b>	Laptop	78,572
Bank Interest Received	284,806		
Interest on Income Tax Refund	133,329	<b>Current Assets</b>	
Donation	4,500	Advance to Suppliers	142,580
Grants Received (Yes Bank Limited)	13,062,502	Security Deposit	75,000
Grants Received (DST)	7,375,834	Advance to Staff	83,073
Grants Received (European Union)	8,542,649		
Grants Received (CITI Foundation)	5,938,899		
Grants Received (Others)	1,119,000	<b>Expenses paid</b>	
Income Tax Refund Received	1,009,221	Consultancy Paid	8,260,967
Consultancy Receipts	24,323,969	Salaries and Bonus Paid	16,654,019
Miscellaneous Income	27,894	Stipend & Internship Expenses	130,000
Gratuity Contribution Received from LIC		EPF Contribution of FMC	1,173,067
	<b>61,822,603</b>	EPF Processing & Admin Charges	83,802
	<b>282,323</b>	Office Rent	1,816,520
		Office Expenses	1,541,063
		Legal & Professional charges	443,770
		Foreign Exchange rate difference	111,497
		Bank Interest & Charges	471,420
		Community Welfare Expenses	74,670
		Contingency Expenses	635,571
		Board of Trustees' Meeting Expenses	392,242
		Miscellaneous Expenses	115,174
		Training & Exposure Visit Expenses	861,547
		Travelling Expenses	5,072,531
		Workshop Expenses	6,916,176
		DST Grant Assistance for Innovation	1,552,242
		Documentary Film Exp. (YBL-CSR)	352,619
		EU Project Expenses Others	228,549
			<b>46,887,446</b>
		<b>Closing Balances</b>	
		A/c-357010100007429 (Axis Bank Limited)	8,413,769
		A/c-915010055883722 (Axis Bank Limited)	1,555,315
		A/c-357010100042291 (Axis Bank Limited) FCRA	4,176,472
		A/c-013694600000631 (Yes Bank Limited)	3,314,288
		Fixed Deposits-Axis Bank Ltd	1,279,867
			<b>18,739,711</b>
<b>Total</b>	<b>70,087,683</b>		<b>70,087,683</b>

Notes on Accounts form an integral part of these financial statements

For FOUNDATION FOR MSME CLUSTERS (FMC)

  
 MUKESH GULATI  
 Executive Director  
 PLACE : NEW DELHI  
 DATED : 10.07.2017



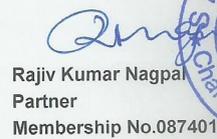
Auditor's Report

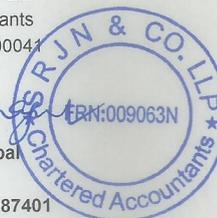
As per our separate report annexed of even date

For S R J N & CO. LLP

Chartered Accountants

FRN.009063N/N500041

  
 Rajiv Kumar Nagpal  
 Partner  
 Membership No.087401





FOUNDATION FOR MSME CLUSTERS (FMC)  
USO HOUSE, 2nd Floor, USO Road,  
Off Shaheed Jeet Singh Marg,  
6, Special Institutional Area,  
New Delhi - 110067 INDIA

PARTICULARS	As at 31.03.2017	As at 31.03.2016
<b>SCHEDULE-A</b>		
<b>RESERVE FUND :</b>		
Balance as per previous Balance Sheet	19,024,729	18,458,483
Less: Income Tax FY 2015-2016 adjusted	25,952	-
Less: Excess Income over Expenditure	-	566,246
Less: Excess of Expenditure over Income	3,724,006	-
<b>TOTAL (Rupees)</b>	<b>15,274,771</b>	<b>19,024,729</b>
<b>SCHEDULE-B</b>		
<b>FIXED ASSETS FUND:</b>		
Balance as per previous Balance Sheet	2,694,389	2,691,726
ADD : Fixed Assets purchase from Grant this year	-	37,800
Deferred Grant for Fixed Assets	2,694,389	2,729,526
Less : Fixed Assets written off	1,967,448	-
Less : Transferred to Revenue	602,959	35,137
<b>TOTAL (Rupees)</b>	<b>123,982</b>	<b>2,694,389</b>

For FOUNDATION FOR MSME CLUSTERS (FMC)



  
Mukesh Gulati  
Executive Director



**SCHEDULE-C**

**COMMON FUND FIXED ASSETS AS ON 31.03.2017**

NAME OF ASSETS	Opening Balance As on 01.04.2016	Addition During the Year		TOTAL	Depreciation	W.D.V AS ON 31st MARCH, 2017
		Before Sep. 30, 2016	After Sep. 30, 2016			
Air Conditioners	46,495	-	-	46,495.00	6,974	39,521
Furniture & Fixture	240,089	-	-	240,089	24,009	216,080
Biometric Machine	12,355	-	-	12,355	1,236	11,119
Desktop	72,694	-	7,193	79,887	45,774	34,113
Inverter	57,965	-	-	57,965	5,796	52,168
UPS	12,519	-	-	12,519	1,878	10,642
EPBX	27,588	-	-	27,588	2,759	24,829
Vending Machine	13,727	-	-	13,727	1,373	12,354
Laptop	31,760	-	71,379	103,139	40,470	62,669
USB Modem	13,877	-	-	13,877	1,388	12,489
<b>Assets Tfd from EU Fixed Assets Fund</b>						
Motor Bikes	-	312,554	-	312,554	31,255	281,299
Laptops	-	63,584	-	63,584	38,150	25,434
Air Conditioners	-	139,402	-	139,402	20,910	118,492
LCD Projector	-	33,416	-	33,416	5,012	28,404
Inverter	-	33,426	-	33,426	3,343	30,083
<b>TOTAL- (A)</b>	<b>529,070</b>	<b>582,382</b>	<b>78,572</b>	<b>1,190,023</b>	<b>230,329</b>	<b>959,694</b>

**DST FUND FIXED ASSETS AS ON 31.03.2017**

NAME OF ASSETS	Opening Balance As on 01.04.2016	Addition/deletion During the Year		TOTAL	Depreciation	W.D.V AS ON 31st MARCH, 2017
		Before Sep. 30, 2016	After Sep. 30, 2016			
Air Conditioners	74,753	-	-	74,753	11,213	63,540
Camera	12,115	-	-	12,115	1,817	10,298
Computers	1,515	-	(1,515)	-	-	-
Laptop	5,867	-	(5,867)	-	-	-
Laser Jet Printer	7,829	-	-	7,829	1,174	6,655
LCD Projector	15,021	-	-	15,021	2,253	12,768
Polycorn Sound System	12,696	-	-	12,696	1,904	10,792
Furniture & Fixture	22,144	-	-	22,144	2,214	19,930
<b>TOTAL (B)</b>	<b>151,941</b>	<b>-</b>	<b>(7,382)</b>	<b>144,559</b>	<b>20,577</b>	<b>123,982</b>

**EU FUND FIXED ASSETS AS ON 31.03.2017**

NAME OF ASSETS	Opening Balance As on 01.04.2016	Deletion During the Year		TOTAL	Depreciation	W.D.V AS ON 31st MARCH, 2017
		Before Sep. 30, 2016	After Sep. 30, 2016			
Motor Bikes	443,480	(130,926)	-	-	-	Tfd to Common Assets fund
Crockery	7,590	(7,590)	-	-	-	-
Furniture & Fixtures	125,620	(125,620)	-	-	-	-
Laptops	676,083	(612,499)	-	-	-	Tfd to Common Assets fund
Computers	106,440	(106,440)	-	-	-	-
Printers	25,357	(25,357)	-	-	-	-
Wireless Router	5,700	(5,700)	-	-	-	-
USBs (Data Card)	23,482	(23,482)	-	-	-	-
Cameras	54,273	(54,273)	-	-	-	-
Air Conditioners	234,243	(94,841)	-	-	-	Tfd to Common Assets fund
Cupboard	17,100	(17,100)	-	-	-	-
LCD Projector	50,000	(16,584)	-	-	-	Tfd to Common Assets fund
Spare parts, PPEs, FABs	711,073	(711,073)	-	-	-	-
Fax Machine	7,778	(7,778)	-	-	-	-
Fans	2,337	(2,337)	-	-	-	-
Water Filter	4,350	(4,350)	-	-	-	-
Inverter	47,542	(14,116)	-	-	-	Tfd to Common Assets fund
<b>TOTAL (C)</b>	<b>2,542,448</b>	<b>(1,960,066)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**GRAND TOTAL (A+B+C)**      **3,223,459**      **(1,377,684)**      **71,190**      **1,334,582**      **250,906**      **1,083,676**

*fmc*  


  
 FRN:009063N  
 Chartered Accountants  
 33



**FOUNDATION FOR MSME CLUSTERS (FMC)**

USO HOUSE, 2nd Floor, USO Road,  
Off Shaheed Jeet Singh Marg,  
6, Special Institutional Area,  
New Delhi - 110067 INDIA

PARTICULARS		As at 31.03.2017		As at 31.03.2016
<b>SCHEDULE-D</b>				
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
<b>Cash &amp; Bank balance</b>				
A/c-357010100007429 (Axis Bank Limited)	8,413,769		871,908	
A/c-915010055883722 (Axis Bank Limited)	1,555,315		-	
A/c-357010100042291 (Axis Bank Limited) FCRA Account	4,176,472		513	
A/c-013694600000631 (Yes Bank Limited)	3,314,288	<b>17,459,844</b>	4,093,335	<b>4,965,757</b>
Fixed Deposits-Axis Bank Ltd	1,279,867	<b>1,279,867</b>	10,862,967	<b>10,862,967</b>
<b>TOTAL (Rupees)</b>		<b>18,739,711</b>		<b>15,828,724</b>
<b>Loans &amp; Advances</b>				
Income tax deducted at source	1,965,335		2,169,402	
Security Deposit	75,000		115,000	
Receivable from Clients	14,339		126,758	
Security Deposit (Photocopier)	15,000		15,000	
Advance to Staff	83,073		102,590	
NAAC Energy Controls Pvt Limited	128,241	<b>2,280,988</b>	-	<b>2,528,750</b>
<b>Receivables</b>		<b>9,702,598</b>		<b>18,849,379</b>
<b>TOTAL (Rupees)</b>		<b>9,702,598</b>		<b>18,849,379</b>
<b>SCHEDULE-E</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>Liabilities</b>				
Overdraft with Axis Bank	-		7,865,966	
CITI Foundation (unspent grant balance)	4,182,785		-	
DST (unspent grant balance)	4,869,603		3,473,421	
Yes Bank Limited (unspent grant balance)	7,215,832		3,675,381	
Global Reporting Initiative (GRI)	-		3,656,426	
Professional Charges payable	67,500	16,335,720	-	18,671,193
<b>Provisions</b>				
Audit fee Payable	67,500	67,500	45,000	45,000
<b>TOTAL (Rupees)</b>		<b>16,403,220</b>		<b>18,716,193</b>

For FOUNDATION FOR MSME CLUSTERS (FMC)

*Mukesh Gulati*  
Mukesh Gulati  
Executive Director

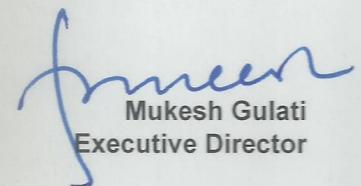


**SCHEDULE-F**

<b>By Grant Received in the FY 2016-17 :-</b>		<b>Current Year</b>	<b>Previous Year</b>
i) Essar Foundation	200,000	<b>4,108,446</b>	3,796,959
ii) Small Industries Development Bank of India	2,858,446		
iii) Department of Science and Technology	500,000		
iv) Reliance Capital Limited	350,000		
v) Power2SME	200,000		
<b>vi) European Union</b>		<b>4,885,470</b>	27,341,726
Excess spent amount brought forward from the year 2015-16	(7,896,806)		
Add : EU Grant Received in FY 2016-17	8,542,623		
Add : Bank Interest adjusted in Grant	26		
	645,843		
Add : Fixed Asset grant to the extent recognised as revenue	582,382		
Add : Leveraged amount through YBL projects in the year 2016-17)	3,657,245		
<b>vii) Department of Science and Technology (DST), ISTED</b>		<b>5,733,308</b>	2,964,066
Unspent amount brought forward from the year 2015-16	3,473,421		
Add : DST Grant Received in FY 2016-17	5,475,834		
Add : Bank Interest adjusted in Grant	77,764		
	9,027,019		
Less : Unspent amount ( Earmarked for the year 2017-18)	3,314,288		
Add : Fixed Asset grant to the extent recognised as revenue	20,577		
<b>viii) Department of Science and Technology (DST), SEED</b>		<b>357,458</b>	-
<b>DST Grant</b> received during the year	1,900,000		
Add : Bank Interest adjusted in Grant	12,773		
	1,912,773		
Less : Unspent amount ( Earmarked for the year 2017-18)	1,555,315		
<b>ix) CITI Foundation, USA</b>		<b>1,875,703</b>	-
<b>Grant</b> received during the year	5,938,899		
Add : Bank Interest adjusted in Grant	119,589		
	6,058,488		
Less : Unspent amount ( Earmarked for the year 2017-18)	4,182,785		
<b>x) Yes Bank Limited</b>		<b>9,022,051</b>	16,945,491
CSR Donation Unspent amount brought forward from 2015-16	3,675,381		
Add : <b>CSR Donation</b> received during the year	13,062,502		
	16,737,883		
Less : Adjusted towards amount receivable from YBL	500,000		
Less : Unspent amount ( Earmarked for the year 2017-18)	7,215,832		
<b>TOTAL (Rupees)</b>		<b>25,982,436</b>	<b>51,048,242</b>

For FOUNDATION FOR MSME CLUSTERS (FMC)



  
Mukesh Gulati  
Executive Director



List of Receivables	As on 31.3.2017
Atal Bihari Vajpayee Institute of Good Governance & Policy	799,250
APITCO Limited	120,000
Coir Board, Kochi	738,369
Department of Science and Technology (DST)	100,000
DIC, Berhampur (Murshidabad)	1,077,713
DIC, Jharsuguda	250,000
DIC, Malda	112,360
DIC, Nadia (West Bengal)	126,000
DIC, Suri (Birbhum)	450,868
Directorate of MSSE, Odisha	16,022
Directorate of MSSE, West Bengal	34,500
District Industries Office, Darjeeling	337,080
Ecorys India Pvt Ltd	151,247
Grant Thornton India LLP	115,000
India SME Technology Services Limited (ISTSL)	45,000
Indian School of Business, Mohali	24,000
Institute of Entrepreneurship Development, Odisha	157,491
Karnataka Council for Technological Upgradation	469,880
Khadi & Village Industries Commission, Bangalore	702,079
Khadi & Village Industries Commission, Bhopal	133,860
Khadi & Village Industries Commission, Mumbai	327,038
Khadi & Village Industries Commission, Orissa	337,595
LUB Auto Parts Group, Jalandhar	620,544
MSME-Technology Development Centre (PPDC)	69,000
National Entrepreneurship Network	119,700
Nnational Institute of Design	112,500
O.P.Jindal Global University	115,000
Reliance Capital Limited	73,450
Small Industries Development Bank of India	1,967,052
<b>TOTAL (Rupees)</b>	<b>9,702,598</b>





Foundation for MSME Clusters (FMC)  
(ISO 9000:2008 Certified Organisation)

## FOUNDATION FOR MSME CLUSTERS (FMC)

### NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDING 31<sup>ST</sup> MARCH, 2017:

#### (A) SIGNIFICANT ACCOUNTING POLICIES:

- 1) The Trust prepares its accounts under the Historical Cost convention, on going concern basis and in accordance with accounting standards applicable in India.
- 2) Revenue Recognition:
  - (i) For recognition of Income and Expenditure mercantile system of accounting is followed, except for FCRA and Grant based projects where income and expenditure are accounted for on cash basis.
  - (ii) In respect of Projects, income is recognized either on phase wise completion of the same or completion of the project as may have been specified in the project contract and invoices are raised from time to time accordingly.
  - (iii) In respect of interest on savings and fixed deposit bank accounts, income is recognized at the time of credit by the bank.
  - (iv) Interest earned in FCRA Account on grant is treated as part of grant Amount, as per the terms of the grant contract.

#### Fixed Assets & Depreciation:

- 3) Fixed Assets are stated in the books at the historical cost inclusive of all incidentals expenses incurred for acquisition of such assets.
- 4) Depreciation is provided on the written down value at the rates prescribed under the Income Tax Act 1961.
- 5) During the year Assets purchased from Fixed Assets Fund created out of grant received for the same from European Union have been transferred on completion of EU project to Common Fixed Assets of the FMC, as per the terms of Grant Contract with EU.
- 6) The Depreciation on such assets was not charged to the revenue of FMC in the previous years, as till the completion of the project these assets belonged to EU. On transfer of these assets in the books of FMC during the year, the Depreciation for the previous years on these assets have been worked out and has been charged from the EU Fixed Assets Fund. The W.D.V of these assets equivalent to

*fmc*



the balance remaining in the EU Fixed Assets Fund after charge of such depreciation has been credited to revenue.

- 7) Accounting Policies not specifically referred to are consistent with the generally accepted accounting principles/ policies.

(B) NOTES ON ACCOUNTS:

1) OPERATIONS :

The Trust came into existence in the year 2005. The Trust provides services in respect of Micro, Small & Medium Enterprises (MSME) development through cluster based initiatives.

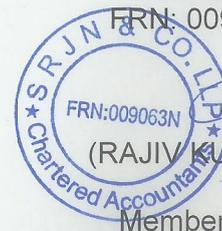
The Services of the Trust are particularly sought in the areas of energy efficiency, Capacity Building of Industry associations, fostering CSR among MSMEs, policy and research, training of policy makers, financial linkages and common facilities establishment.

- 2) Previous year's figures are rearranged/regrouped wherever necessary to make them comparable with current year's figures.

AUDITORS' REPORT

In terms of our attached Report of even date

For S R J N & CO. LLP  
Chartered Accountants  
FRN: 009063N/N500041



*Rajiv Kumar Nagpal*  
(RAJIV KUMAR NAGPAL)  
Partner  
Membership No.087401

Place: NEW DELHI  
Dated: 10.07.2017



# Foundation for **MSME** Clusters (FMC)

[fmc.org.in](http://fmc.org.in)

## **New Delhi**

USO House, 2nd Floor, USO  
Road, Off Shaheed Jeet Singh  
Marg, 6, Special Institutional Area,  
New Delhi – 110067  
Tel: +91-11-40563323/24  
Email: [info@msmefoundation.org](mailto:info@msmefoundation.org)

## **Andhra Pradesh/ Telangana**

507, Krishna Vamsi Residence,  
Opp. Bharat Petrol Pump,  
Hyderabad-500045

## **Karnataka**

Flat no 101, #43, 6th Cross,  
RMV 2nd Stage, Boopasandra,  
Sanjay Nagar Post,  
Bengaluru-560094

## **Odisha**

Rajendra Nagar, Madhupatna,  
Cuttack-753010

## **Punjab**

Flat no. 4492, Ground Floor,  
Dandra Road, Dugri,  
Ludhiana-141003

## **Rajasthan**

214, Shreeji Nagar, Durgapura,  
Jaipur-302018

## **West Bengal**

96 Garia Station Road,  
Kolkata- 70008