

57th

Annual Report
.....
2016-17



**GUJARAT STATE
FINANCIAL CORPORATION
GANDHINAGAR**



BOARD OF DIRECTORS

(As on 30th June, 2017)

● Chairman ●

Shri P K Taneja, IAS (Retd)
(up to 30/05/2017)

Shri Manoj Kumar Das, IAS
(From 31/05/2017)

● DIRECTORS ●

Shri C J Macwan

Shri Ajit Nath Jha

(Up to 24/07/2016)

Shri Pramod Kumar Vijayvargia
(From 25/07/2016)

● MANAGING DIRECTOR ●

Shri Arvind Agarwal, IAS
(up to 17/10/2016)

Shri P K Taneja, IAS (Retd.)
(From 18/10/2016 to 15/05/2017)

Smt. Mamta Verma, IAS
(Director from 29/06/2015 & Managing Director From 16/05/2017)

● SECRETARY (BOARD) ●

Reveendran Nair

● AUDITORS ●

M/s. Manubhai & Shah, LLP
Chartered Accountants, Ahmedabad

● HEAD OFFICE ●

**Block No. 10, 1st Floor, Sector-11, Udyog Bhavan,
Gandhinagar-382 010**

● REGIONAL OFFICES AT ●

Gandhinagar, Surat & Rajkot



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NOTICE

Notice under Regulation No. 23 of General Regulations of the Corporation is hereby given that the 57th Annual General Meeting of the shareholders of the Corporation will be held on **Tuesday, the 19th September, 2017 at 3.00 p.m. in the Office of the Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector-11, Gandhinagar 382 010** to transact the following business :

- (i) To receive, consider and adopt the audited financial statements of the Corporation for the Financial Year ended 31st March 2017 including the Balance Sheet as at March 31, 2017, Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- (ii) To re-appoint M/s. Manubhai & Shah LLP, Chartered Accountants, Ahmedabad, as Statutory Auditors of the Corporation to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting as recommended by RBI and to fix their remuneration.

By order of the Board of Directors,

Place : Gandhinagar
Date : 11-07-2017

(MAMTA VERMA, IAS)
MANAGING DIRECTOR

NOTES :

1. Pursuant to Regulation 28-B of GSFC General Regulations, a shareholder shall be entitled for one vote for each share held by him/her for the whole period of six months prior to the date of 57th Annual General Meeting.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/ HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE CORPORATION.**
3. **No proxy shall be valid unless it is duly stamped and unless it together with the power of attorney or other authority, if any, under which it is signed or a copy of that power of authority certified by a notary public or Magistrate, is deposited at the Head Office of the Corporation not less than 7 clear days before the date fixed for the meeting.**
4. Pursuant to Regulation 12 of the GSFC General Regulations, the Register of Members and Share Transfer Books will remain closed from 16.09.2017 to 19.09.2017 (both days inclusive).
5. Shareholders seeking any information with regard to accounts are requested to write to the Corporation at least 10 days before the meeting so as to enable the management to keep the information ready.
6. Members are requested to bring their copy of Annual Report at the meeting.



7. Members holding the shares in physical mode are requested to notify immediately the change of their address and e-mail id to the R & T Agent of the Corporation. In case shares held in dematerialized form, the information regarding change of address and e-mail id should be given to their respective Depository Participant.

8. Voting through electronic means :

In compliance with Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporation is pleased to provide e-voting facility through M/s. Central Depository Services Ltd (CDSL) as an alternative in respect of the business to be transacted at the 57th Annual General Meeting to be held on 19.09.2017. The e-voting facility is available at the link www.evotingindia.com.

The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

The e-voting facility will be available during the following voting period :

Commencement of e-voting	09.00 Hours of Saturday, 16th September, 2017
End of e-voting period	17.00 Hours of Monday, 18th September, 2017

E-voting shall not be allowed beyond 17.00 hours on 18th September, 2017. The e-voting module shall be disabled by CDSL for voting thereafter. During the e-voting period, shareholders of the Corporation holding shares either in physical form or in dematerialized form, as on the Cut-off-Date may cast their votes electronically. The **Cut-off-Date for the purpose of e-voting is 17th March, 2017.**

Members are requested to follow the below mentioned instructions to cast their vote through e-voting :

- (i) Log on to the e-voting website www.evotingindia.com.
- (ii) Click on Shareholders tab.
- (iii) Now Enter your User ID
 - a. For CDSL : 16 digits beneficiary ID,
 - b. For NSDL : 8 Alpha-numeric DP ID followed by 8 digits Client ID
 - c. Members holding shares in physical form should enter Folio Number registered with the Corporation.
- (iv) Next enter the Image Verification as displayed and Click on LOGIN.
- (v) Members holding shares in demat form and who have logged in for an earlier instance of e-voting and voted on www.evotingindia.com should use their existing login and password. Such members who have already logged in earlier would be required to enter only the password after entering the user ID and characters displayed. If the members have forgotten their password, they can enter the User ID and the characters verification code and click on "Forgot Password" to retrieve their password.



(vi) If you are a first time user, follow the steps given in the table below :

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) * Members who have not updated their PAN with the Corporation/ Depository Participant are requested to use the 10 digits Sequence Number in the PAN Field. The Sequence Number is printed on address sticker.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Corporation records in order to login. If both the details are not recorded with the depository or Corporation, please enter the number of shares held by you as on the cut-off date (17-03-2017) in the Dividend Bank details field.

- (vii) After entering these details appropriately, click on “SUBMIT” tab.
- (viii) Members holding shares in physical form will then directly reach the EVSN screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e- voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on EVSN of GUJARAT STATE FINANCIAL CORPORATION.
- (xi) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same, the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the “RESOLUTION FILE LINK” if you wish to view the entire set of Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvi) Members can also cast their vote using CDSL’s mobile app m-Voting available for Android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.



(xvii) **Note for Non-individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details, a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts, they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which the non-individual shareholders have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the Scrutinizer to verify the same.

(xviii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under "Help" section or write an email to helpdesk.evoting@cdslindia.com.

(xix) The results of e-voting will be announced within forty-eight (48) hours after conclusion of the meeting on the Corporation's website and also informed to BSE Ltd.

(xx) Kindly note that once you have cast your vote, you cannot modify or vote on poll at the Annual General Meeting. However, you can attend the meeting and participate in the discussions, if any.

(xxi) Mr. Pragnesh M Joshi, Practicing Company Secretary, Ahmedabad, Gujarat (Membership No. FCS 7238 & Certificate of Practice No. 7743) has been appointed as the Scrutinizer to scrutinize the e-voting and poll process in the AGM in a fair and transparent manner.

(xxii) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of "Ballot Paper"/"Polling Paper" for all those members who are present at the AGM but have not cast their vote by availing the facility of e-voting.

(xxiii) The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast in the meeting and thereafter unblock the votes cast through e-voting in the presence of at least two witnesses who are not in the employment of the Corporation and shall make, not later than forty-eight hours of the conclusion of the AGM, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

(xxiv) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Corporation at www.gsfc.gujarat.gov.in and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Ltd.





DIRECTOR'S REPORT

To the Members,

Your Directors have pleasure in submitting their Annual Report together with the Audited Financial Statements for the year ended on 31st March, 2017.

Before going into the performance highlights of the Corporation, economic scenario of the country, in brief, is taken stock of as under :-

1. Economy Scenario:

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF). The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong Government reforms, Reserve Bank of India's inflation focus supported by benign global commodity prices. Interest rates are in the decline owing to under-control inflation, decrease in crude oil prices, weak credit growth and major Government reforms like focus on areas like e-governance, ease of doing business, labour reforms, fuel price de-control, the 'Make in India' movement etc. India's Gross Domestic Product (GDP) grew 7.2 per cent during 2014-15, 7.9 per cent during 2015-16 and 7.1 per cent during 2016-17. Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST) and the action to demonetization of high denomination bank notes of ₹ 1000 and ₹ 500 with effect from November 8, 2016 in order to eliminate black money and the growing menace of fake Indian currency notes, thereby creating opportunities for improvement in economic growth. Demonetization is expected to have a positive impact on the Indian economy which will help foster a clean and digitized economy in the long run. The GST will create a common Indian market, improve tax compliance and governance and boost investment and growth.

According to the research note by Morgan Stanley, growth is likely to inflect higher, accelerating by almost one percentage point over the next three quarters. It also expects growth to pick up from the second quarter of FY 2017-18 and accelerate by almost a full percentage point to 7.9 per cent by December 2017 from the current run rate of seven per cent.

2. Financial Performance :

During the year under report, Corporation concentrated on recovery of dues only as in the previous years. Recovery process was affected badly due to recent developments in the country. Interest income earned by the Corporation for the year under report reduced substantially and stood at ₹ 3.18 crore as against ₹ 11.67 crore reported a year ago. Interest earned on deposits stood at ₹ 9.04 crore compared to ₹ 9.16 crore in the previous year. Other income including provisions written back against NPA, diminution in value of investment etc., stood at ₹ 5.85 crore during the year 2016-17 as against ₹ 14.66 crore in the previous year. Total income of the year under report stood at ₹ 18.07



crore registering a decline of 49.08% over ₹ 35.49 crore reported in the previous year. Corporation's total expenditure for the year under report reduced by ₹ 5.23 crore and stood at ₹ 135.25 crore as against ₹ 140.48 crore reported in the previous year. The loss of Corporation for the year under report stood at ₹ 117.18 crore as against ₹ 104.99 crore in the corresponding period of last year. In view of mounting loss, your Directors refrain from declaring dividend for the year under report.

3. Borrowings :

Corporation owes its borrowings to Government of Gujarat and during the year under report, no borrowing was resorted to. Corporation's borrowings remained static at ₹ 661.68 crore for the year under reference.

4. Recovery :

Corporation has discontinued main activities of sanction and disbursement since last one and half decades. With the passage of time, almost all good loan accounts have been closed or settled. Recovery from left out units is a herculean task. Recognizing the difficulties, Corporation revitalized its machinery for concentrating on sticky loan accounts. As a step in this direction, various One Time Settlement schemes for different types of loans were in force in the year under reference. However, the efforts could not yield desired results. Recovery of dues for the year under reference declined sharply and stood at ₹ 7.02 crore as against ₹ 16.86 crore reported in the previous year.

5. Human Resource :

The staff strength of the Corporation stood 61 on the last day of the year under report as against 66 in the previous year. The break up staff strength is as under :-

Sr. No.	Category	Total
1	'A' Grade officers	7
2	'B' Grade employees	45
3	'C' Grade employees	9
	Total	61

Out of 61 staff, two employees are loan service and 19 employees are on deputation with other Government departments. The staff available at the disposal of the Corporation, therefore, stood at 40 spread over three Regional Offices and Head Office.

6. Corporate Governance :

The Corporation has in place the SEBI regulations pertaining to Corporate Governance subject to exemptions available under the said Regulations. Management Discussion and Analysis Report, Corporate Governance Report, Certificate regarding compliance of conditions of Corporate Governance and declaration by Managing Director that the Board of Directors and Senior Management Personnel have complied with the Code of Conduct are annexed hereto and form part of this Report. The details of various Committees and their functions form part of the Corporate Governance Report.



7. Auditors :

M/s. Manubhai & Shah LLP, Auditors of the Corporation, have submitted their Independent Auditor's Report on the financial statements of the Corporation for the year ended 31st March, 2017. The Report contains qualifications which along with management's views are given in Addendum forming part of the Annual Report.

The said Auditors were appointed for the last three years. Pursuant to Section 37 of the State Financial Corporation's Act, 1951 and in terms of confirmation of eligibility of Auditors by Reserve Bank of India, they are eligible for re-appointment for a further term of one year. On the recommendation of the Audit Committee, the Board of Directors recommends their re-appointment.

8. Board of Directors :

During the year under reference, Shri PK Taneja, IAS, the then Additional Chief Secretary to Government, Industries & Mines Department joined the Board of your Corporation as Managing Director on 18th October, 2016 relieving Shri Arvind Agarwal, IAS of the additional charge. On his appointment as Chairman by SIDBI, Mumbai, vide letter dated 5.12.2016, Shri PK Taneja, IAS continued as Chairman & Managing Director since 5.12.2016. SIDBI, Mumbai, vide letter dated 25.7.2016, nominated Shri Pramod Kumar Vijayvargia, Deputy General Manager, SIDBI, Ahmedabad as Director on the Board of the Corporation in place of Shri Ajit Nath Jha. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief resume of the Directors joined during the year under reference, is furnished in the Corporate Governance Report attached to this Report.

The Board places on record its appreciation for the valuable guidance, support and counsel received from Shri Arvind Agarwal, IAS and Shri Ajit Nath Jha during deliberations of the Board.

As a subsequent development, Government of Gujarat in General Administration Department vide order dated 29th April, 2017 ordered that Industries Commissioner, Gandhinagar, shall also function as Ex-Officio Managing Director of the Corporation. Accordingly, Smt. Mamta Verma, IAS, Industries Commissioner and a Director on the Board of the Corporation assumed the charge of the post of Managing Director on 16th May, 2017. Brief resume of the Managing Director has already been included as a part of Corporate Governance Report for the financial year 2015-16.

9. Directors' Responsibility Statement :

The Directors, based on the representations received from the Operations Departments and to the best of their knowledge and ability, hereby confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a