

59th
Annual Report
2018-19



**GUJARAT STATE
FINANCIAL CORPORATION
GANDHINAGAR**



BOARD OF DIRECTORS

(As on 30th June, 2019)

❖ Chairman ❖

Shri Manoj Kumar Das, IAS

❖ DIRECTORS ❖

**Shri Kamleshbhai K Patel
Shri Pushkar Mishra
Shri K R Balasubramaniyan**

❖ MANAGING DIRECTOR ❖

Smt. Mamta Verma, IAS

❖ SECRETARY (BOARD) ❖

Raveendran Nair

❖ AUDITORS ❖

**M/s. Priyam R Shah & Associates
Chartered Accountants, Ahmedabad**

❖ HEAD OFFICE ❖

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

❖ REGIONAL OFFICES AT ❖

Gandhinagar, Surat & Rajkot



CONTENTS

Sr. No.		Page
1.	Notice	1
2.	Director's Report	6
3.	Management Discussion & Analysis Report	12
4.	Report on Corporate Governance	15
5.	Auditor's Report	26
6.	Balance Sheet	31
7.	Statement of Profit & Loss	32
8.	Cash Flow Statement	33
9.	Performance of the Corporation at a glance during last decade	50
10.	Attendance Slip/Proxy Form	54





Gujarat State Financial Corporation

(Established under State Financial Corporations Act. 1951)

SECRETARIAL CELL

Block No.10, Udyog Bhavan, Sector-11, GH-4, Gandhinagar - 382 010

Phone: 23256766, Fax 23252204 Email: sec-cell-gsfc@gujarat.gov.in

NOTICE

Notice under Regulation No. 23 of General Regulations of the Corporation is hereby given that the 59th Annual General Meeting of the shareholders of the Corporation will be held on **Friday, the 20th September, 2019 at 11.30 a.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 2019 including the Balance Sheet as at March 31, 2019, 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. Priyam R Shah & Associates, 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

(MAMTA VERMA, IAS)

Date : 11-07-2019

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 59th 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 18.09.2019 to 20.09.2019 (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. **Disclosure under Regulation 36(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

Appointment or re-appointment of statutory auditors is governed by Section 37 (1) of the State Financial Corporations Act, 1951 according to which the accounts of the Corporation shall be audited by auditors duly qualified to act as the auditors under sub-section (1) of section 141 of the Companies Act, 2013 who shall be appointed by the Financial Corporation in general meeting of shareholders out of the panel of auditors approved by the Reserve Bank of India for such terms and on such remuneration as the Reserve Bank may fix. The terms and conditions for appointment prescribed by Reserve Bank of India inter alia stipulates that in the normal course, an audit firm may continue for a term of four (4) years in one spell. The appointment will, however, have to be made on an annual basis subject to the firm fulfilling the eligibility norms prescribed by the RBI from time to time and also subject to its suitability. The eligibility of the firms is to be confirmed from RBI before making re-appointment. Pursuant to letters dated April 3, 2018 and May 8, 2018 of RBI confirming suitability and eligibility, M/s. Priyam R Shah & Associates, Chartered Accountants, Ahmedabad, Firm Registration No. 118421W, were appointed as statutory auditors from the conclusion of 58th Annual General Meeting till conclusion of 59th Annual General Meeting at a fee of Rs.81,000/- plus taxes, TA/HA and 12% of the basic audit fee for obtaining certifications. The said firm has agreed to continue for the second term on same terms and conditions and fees. RBI, vide letter dated April 25, 2019, confirmed the eligibility and suitability of the said firm for re-appointment as statutory auditors of the Corporation for the year 2019-20 for the second year. In view of this, it is recommended to re-appoint M/s. Priyam R Shah & Associates, Chartered Accountants as the statutory auditors for the second term.

9. **Instructions for shareholders voting electronically are as under:-**

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 59th Annual General Meeting to be held on 20.09.2019. The e-voting facility is available at the link www.evotingindia.com. Pursuant to Regulation 28-B of GSFC General Regulations, **the cut-off date for the purpose of voting is 22nd March, 2019.**

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.

- (i) The voting period begins on **Tuesday, the 17th September, 2019 at 9.00 a.m.** and ends on **Thursday, the 19th September, 2019 at 5.00 p.m.** During this period, shareholders of the Corporation holding shares either in physical form or in dematerialized form, as on the cut-off date (i.e., **Friday, the 22nd March, 2019**) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Corporation.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given 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) <ul style="list-style-type: none">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. <ul style="list-style-type: none">If both the details are not recorded with the depository or Corporation, please enter the member id/folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection 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.



- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of GUJARAT STATE FINANCIAL CORPORATION.
- (xii) 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.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) 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.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also use Mobile app - “m-Voting” for e-voting . Shareholders may log in to m-Voting using their e-voting credentials to vote for the Corporation resolution(s).
- (xix) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - 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, 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 they 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.
- (xx) **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.
- (xxi) 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.
- (xxii) Mr. Kiran Kumar Patel, Practicing Company Secretary of M/s. KK Patel & Associates, Gandhinagar, Gujarat (Membership No. FCS 6352) has been appointed as the Scrutinizer to scrutinize the e-voting and poll process in the AGM in a fair and transparent manner.



- (xxiii) 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.
- (xxiv) 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.
- (xxv) The results of voting on the above resolutions shall be declared not later than 48 hours from the conclusion of the Annual General Meeting of the Corporation. The results declared along with the Scrutinizer’s Report will be made available on the Corporation’s website and on the website of Central Depository Services (India) Limited the same shall be simultaneously communicated to BSE Ltd.
- (xxvi) Resolutions assented to by the requisite majority of the members by means of venue voting and remote e-voting shall be deemed to have been duly passed at the AGM.



GUJARAT STATE FINANCIAL CORPORATION DIRECTORS' REPORT

To the Members,

Your Directors have great pleasure in presenting the 59th Annual Report of the Corporation together with the audited accounts for the year ended 31st March, 2019.

1. Economic Scenario:

The Indian economy is the fastest growing major economy and is projected to grow faster in the coming years. The country witnessed its best phase of macro-economic stability during the last few years. From being 11th largest economy in the world in 2013-14, India today is the sixth largest in the world. Besides generating high growth rate, India contained double digit inflation and restored fiscal balance. The average inflation rate reduced to 4.6 per cent. India moved up by 23 places in the World Bank's Ease of Doing Business Index 2018 and got 77th rank. Driven by favourable global conditions and commodity prices, the past five years have been fortunate for the Indian macro-economy. Inflation has been brought under control as a partial consequence of these global factors and the easy availability of global capital has helped finance the current account deficit. Easy inflation and low commodity prices have flattered the fiscal deficit, allowing the government to avoid painful belt-tightening. The government has kept growth alive through its spending. The current account deficit as ratio to gross domestic product is likely to have fallen in the January-March quarter of FY 2019 which would limit the leakage of growth impulse from the economy, while fiscal deficit has been gliding down to the targeted 3 per cent. An increase in foreign exchange reserves in Quarter 4 of FY 2019 on account of an improvement in trade balance has increased the import cover for the economy. Indian economy is expected to grow at 7 per cent in 2018-19, a tad lower from 7.2 per cent, a declining growth of private consumption, weak increase in fixed investment and muted exports are some reasons for the slowdown. The ambitious reform programmes continued by the Government will not only boost consumer sentiment but also help create the conditions for a revival in private investment and exports thereby containing the slowdown.

2. Financial results:

During the year under reference, interest on loans and advances reduced to just 37.61% at Rs.2.43 crore of Rs.6.46 crore reported in the previous year. The decline is due to change in accounting policy adopted by the Corporation in respect of income recognition on NPA accounts. Interest on deposits increased by 13.77% and stood at Rs.9.42 crore as against Rs.8.28 crore a year ago. Provision against NPA written back increased to Rs.9.20 crore during the year under reference, a 312.93% jump over Rs.2.94 crore reported in the previous year as a result of change in accounting policy. Other income also registered an increase of 225.81% at Rs.0.70 crore during the year under report over Rs.0.31 crore reported in the previous year. Total income of the Corporation for the year under reference increased by 21.02% and stood at Rs.21.76 crore compared to Rs.17.98 crore registered in the previous year.

As informed to the members in the previous Reports, Corporation is continuing with austerity measures to reduce the expenditure wherever possible. Personnel expenses



stood at Rs.3.00 crore during the year under reference which is a reduction of 6.83% over Rs.3.22 crore reported in the previous year. Interest on borrowings increased marginally by 1.64% to Rs.128.05 crore over Rs.125.98 recorded in the previous year. Other expenses also increased by 22.40% to Rs.4.59 crore during the year under reference as against Rs.3.75 crore reported in the previous year. Total expenditure for the year under report registered a marginal increase of 2.33% and stood at Rs.136.62 crore compared to Rs.133.51 crore reported in the previous year. Loss for the year under reference reduced marginally and stood at Rs.114.87 crore compared to Rs.115.53 crore reported a year ago. The accumulated loss as on the last day of the report stood at Rs.2,687.30 crore as against Rs.2,572.43 crore recorded in the previous year. Due to loss, no dividend is recommended for the year under reference.

3. Change in Accounting Policy

During the year under reference, Corporation changed its accounting policy for income recognition in case of loanes opted for One Time Settlement. Details of the policy are given in Note 15 under clause (e) at Point No. A (02) Revenue Recognition. As a result of change in policy, receipts are apportioned in the order of principal and capitalized expenses, interest and penalty and other charges.

4. Borrowings:

During the year under report, no borrowing was resorted to by the Corporation. Borrowings remained static at Rs.661.68 crore payable to Government of Gujarat.

5. Recovery:

Corporation is focusing its operation on recovery of dues. As a measure to attract defaulting units, Corporation continued to operate liberal One Time Settlement Schemes for various loans so as to maximize recovery and reduce NPA. Relentless efforts made by the Corporation yielded results and the recovery of dues during the year surpassed the target of Rs.10.00 crore fixed by the Corporation registering an increase of 17.11% at Rs.11.71 crore. Compared to recovery of previous year of Rs.8.66 crore, the growth in the year under report is 35.22%.

6. Human Resource:

During the year under report, 6 employees have retired on attaining the age of superannuation and an employee resigned from the services of the Corporation. The staff strength on the pay-roll of the Corporation declined to 49 on the last day of the year under report as against 56 reported in the previous year. The break-up of staff strength is as under:-

Sr. No.	Category	Total
1	‘A’ Grade officers	4
2	‘B’ Grade employees	36
3	‘C’ Grade employees	9
Total		49