

ANNUAL REPORT

1996-97

MD	/		BKC	/
CS	/		DPY	/
RO	/		DIV	/
TRA	/		AC	/
AGM	/	/	SH	/
YE	/	/		

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Haryana Financial Corporation

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HARYANA FINANCIAL CORPORATION
Nos. 17, 18 & 19, Sector 17-A,
CHANDIGARH - 160017

NOTICE

In Pursuance of Regulation 22 read with Regulation 36 of the General Regulations of the Corporation, it is hereby notified that the 30th Annual General Meeting of the shareholders of Haryana Financial Corporation will be held on 20.3.1998 (Friday) at 11.00 hours at the Head Office of the Corporation i.e. 17, 18 & 19, Sector 17 A, Chandigarh to transact the following business :

- (i) "To read and consider the Balance Sheet as on 31st March, 1997 and the Profit and Loss Account of the Corporation for the period ended on that date, together with the report of the Board of Directors on the working of the Corporation throughout the year and the Auditors' report on the said balance sheet and accounts."

It is further notified for the information of the shareholders that the Share Register of the Corporation shall remain closed and the registration of transfers suspended from 16.3.1998 to 20.3.1998 (Both days inclusive).

NOTICES :

1. Last date for deposit of certified copies of resolutions appointing duly authorised representatives by Scheduled Banks, IDBI/SIDBI, Insurance Companies, Co-operative Banks and Companies shall be 16.3.1998.
2. Last date for deposit of proxies by the shareholders shall be 12.3.1998.

Sd/-

(B.R. Goyal)
GENERAL MANAGER



DIRECTORS' REPORT

The Board of Directors of the Corporation have pleasure in presenting the 30th Annual Report on the operations of the Corporation together with the audited statement of accounts for the year ended March 31, 1997.

FINANCIAL REVIEW

Sustained efforts of the Corporation and policies contributed in achieving satisfactory financial results during the year 1996-97 inspite of stagnant economy.

During the year income of the Corporation rose by 35% over the previous year. The working results of the Corporation for the year 1996-97 compared with previous year are given in the table below:-

		(Rs. in crores)	
		1996-97	1995-96
A.	Income	99.24	73.63
B.	Operating Expenses	93.08	65.58
C.	Operating Profit (A-B)	6.16	8.05
D.	Other expenses	3.38	2.44
E.	Profit (Before writing off bad debts and provisions)	2.78	5.61
	Less : bad debts written off	0.16	0.48
F.	Profit before provisions	2.62	5.13
	Less : provision for taxation	0.40	0.62
G.	Net profit	2.22	4.51

Financial Resources

During the 1996-97 the Corporation depended upon non-traditional sources such as bonds, line of credit from banks and deposits in addition to refinance and plough back. The detail of resources mobilised by the Corporation during the year is as below:

Refinance

During the year under review the Corporation raised refinance to the extent of Rs.27.67 crores from IDBI and Rs.41.07 crores from SIDBI. A sum of Rs. 42.76 crores was repaid during the year.

Borrowings from Reserve Bank of India

The credit limit of Rs.4.50 crores sanctioned by the Reserve Bank of India u/s 7(2)(b) of the State Financial Corporations Act, 1951 expired during the year. A fresh credit limit of Rs.5.00 crores was sanctioned and availed during the year.

Bonds

During the year the Corporation issued three series of SLR Bonds and raised an amount of Rs.26 crores and repaid Rs.1.10 crores. In addition Rs.50.00 crores were raised by way of other bonds.

Deposits

The Corporation continued to accept deposits under Section 8 of the SFC's Act, 1951 and raised Rs.4.58 crores during the year. Further, deposits of Rs.3.49 crores were repaid during the year.

Term Loans/Line of Credits from Banks

The Corporation continued to raise loans from various banks and during the year Rs.10.00 crores were raised. Further Rs.21.11 crores were repaid during the year.

Operational Highlights

The year 1996-97 was a challenging year for the Corporation. The mobilisation of applications for sanction posed problems due to deceleration observed in industrial growth and high lending rates. However, the Corporation adopted appropriate strategies to mobilise loan applications. As a result of these efforts the corporation has sanctioned loans aggregating to Rs.146.55 crores during the year. The activity wise sanctions are given in the table below:-

(Rs.in crores)		
Term Loans	SSI	99.08
	Others	32.30
Working Capital		14.02
Leasing		1.15
TOTAL		146.55

Disbursement

During the year 1996-97, the Corporation disbursed Rs. 137.88 crores. This includes Rs. 130.25 crores against term loans and working capital loans, Rs. 6.62 crores against leasing and Rs. 1.01 crores against merchant banking activities.

Flow of Assistance :

As envisaged in the national and State Policy, Corporation's endeavor has always been to see that top priority is given to industrial projects coming up in small-scale sector and State declared backward areas.

(a) Assistance to the Small Scale Sector

During the year, the Corporation sanctioned 115.27 crores to the units which are in small scale sector which is more than 78% of the total sanctions. The aggregate assistance sanctioned to the small scale sector as at the end of 1996-97 stood at Rs. 1239.65 crores.

(b) Assistance to Backward Areas

The flow of assistance from the Corporation during the year indicate that 41.96% of the Corporation's total sanctions are given for the units setup in the backward area.

(c) Assistance under various schemes

The Corporation continued to assist entrepreneurs belonging to various categories under its various schemes as in the previous years.

The details of assistance thus provided are given below :

(Rs. in lacs)		
1.	Single window Scheme	74.53
2.	Small Hospital/Nursing Home	65.96
3.	Working Capital Scheme	14.02
4.	Hotel Industries	52.57
5.	RIS Composit loans	1.38
6.	Leasing	115.49
7.	Mahila Udhyam Nidhi Scheme	26.60
8.	Equipment Refinance Scheme	596.56
9.	Others	13708.47

Industry-wise Sanctions

Industrial sectors which has obtained term loan assistance from the Corporation during the year are food processing and agro based Rs. 8.41 crores, textile spinning weaving & finishing Rs. 22.77 crores, footwear & wearing apparels Rs. 9.93 crores, metal industry Rs. 18.40 crores.

Size-wise Sanctions

The size-wise sanctions of Term Loan is given in the table below:

(Rs.in lacs)
1996-97

Size of assistance	No.	Amount
Upto Rs.1 lakh	14	9.39
Rs.1 to Rs.5 lakh	167	519.52
Rs.5 to Rs.10 lakh	211	1498.73
Rs.10 to Rs.20 lakh	148	2447.13
Rs.20 to Rs.50 lakh	85	3055.38
Rs.50 to Rs.90 lakh	36	2409.29
Rs.90 to Rs.120 lakh	10	1083.36
Above Rs.120 lakh	21	3517.29
Total	692	14540.09

Recovery

In view of high cost of borrowed funds, the stress is on improving the capacity to generate maximum funds by plough back. Recovery of dues being an important source of funds for the Corporation, was given the highest priority during the year under review. The Corporation recovered Rs.175.31 crores during the year thereby registering an increase of 21.80% over the previous year. The Corporation was able to achieve this performance in recovery despite tight money conditions and slack market conditions for manufacturing units.

The details of recovery during 1996-97 are given below:

(Rs.in crores)

Arrears at the beginning of the year	157.11
Current Dues	243.09
Total Dues	400.20
Less amount rescheduled	10.39
Net Dues	389.81
Total Collections	162.23
Arrears at the end of the year	227.58

Review and settlement of default cases

Keeping in line with the trend set over past few years, during the year 1996-97 also many cases were settled under the settlement scheme thereby reducing the arrears affected portfolio of the Corporation.

During the year the Corporation made settlement in 12 cases where total outstanding amount was Rs.96.78 lacs. These cases were settled for Rs.46.94 lacs.

Assets Classification and provisioning :

The guidelines and directions of IDBI/SIDBI as regards to classification of loan portfolio according to Health Codes have been successfully implemented by the Corporation. The total outstanding portfolio under all the four health code categories before provision for NPA is Rs.602.60 crores out of which Standard Rs.418.48 crores, Substandard Rs.114.42 crores, Doubtful Rs.61.60 crores and Loss Assets Rs.8.10 crores. The Corporation has made a total provision of Rs.39.00 crores for non performing assets upto the year 1997. This includes the provision of Rs. 18.48 crores made upto the year 1996.

Auditors

M/s Mittal Seth & Sharda, Chartered Accountants were appointed by the State Govt. as statutory auditors for 1996-97.

Audit by comptroller & Auditor General of India

The audit of the affairs of the Corporation will be undertaken by the comptroller & Auditor General of India under Section 37(6) of the SFC's Act, 1951.

Board of Directors & Executive Committee Meetings

The Board of Directors of the Corporation met 6 times and Executive Committee met 11 times during the year to transact the business of the Corporation.

Acknowledgements

The Board of Directors wish to place on record their gratitude to Govt. of Haryana, Department of Finance & Industry for their continued co-operation and assistance. The Board wishes to thank RBI, IDBI and SIDBI for their guidance and financial support. The Corporation also wishes to thank the nationalised scheduled and commercial banks who have sanctioned line of credits to meet its lending targets.

The Board placed on record the appreciation for the contributions made by the outgoing chairmen Sh.L.M.Goyal, Sh.R.S.Varma and Sh.M.L.Tayal.

The Board wishes to place on record its appreciation of the contribution made by the past Managing Director Sh.Ajit M Sharan, outgoing Directors Sh.N.K.Jain, Sh.Ashok Lawasa and Sh.V.S.Kundu.

The Board takes this opportunity to express its deep appreciation of the efforts put in by Sh.Manik Sonawane Managing Director and the officers and the officials of the Corporation which has enabled the Corporation to maintain its pre eminent position among SFCs in the country.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**RAJ KUMAR
MANAGING DIRECTOR**

AUDITOR'S REPORT

AUDITOR'S REPORT TO THE SHARE HOLDERS

In accordance with the provisions of Section 37(1) of the State Financial Corporations Act, 1951, We have audited the attached Balance Sheet of Haryana Financial Corporation as at 31st March, 1997 and also the annexed Profit & Loss Account for the year ended on that date. We report that :

- A. 1. The Corporation has settled 12 cases involving default amount of Rs.96.78 lacs for Rs.46.93 lacs during the year under review under 'Settlement Scheme', which in our opinion the Corporation could have negotiated for more amount as per the settlement scheme. Out of 48 cases settled during the previous year the Corporation has cancelled settlement in 9 cases involving settlement amount of Rs.12.07 lacs.
2. Post Sanction Inspections are not being carried out regularly so as to ascertain the operational and financial efficiency of the borrowers and analysing the assisted units to take a view as per the performance parameters.
3. It has been observed by us that the Corporation frequently rescheduled the repayment schedule of the borrowers without obtaining the necessary financial and operational data, such as financial statements of the borrower at yearly intervals, production details such as capacity utilised and installed to ascertain the operational efficiency of the unit.
4. The Corporation has changed its income recognition policy in respect of recovery of principal and interest (refer note No. A.3 of schedule 'S'), which has resulted into shifting of recovery of principal amounting to Rs.541.52 lacs to recovery of interest out of which the Corporation has been required to pay Rs.16.25 lacs as Interest Tax.
5. It has been observed that while sanctioning lease equipment assistance proper appraisals were not conducted relating to creditworthiness and genuineness of lessees and suppliers. As a result an amount of Rs.985.37 lacs is outstanding as advances to Leasing equipment suppliers out of which, in our opinion, an amount of Rs.846.29 lacs is doubtful of recovery. No provision for the same has been made.