

ANNUAL REPORT

1997-98

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	NA		DPY	NA
RO	<input checked="" type="checkbox"/>		DIV	NA
TRA	NA		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SH	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



Haryana Financial corporation



HARYANA FINANCIAL CORPORATION

Nos. 17, 18 & 19, Sector 17-A,

CHANDIGARH - 160 017

NOTICE

In terms of Regulation 22 of General Regulations of the Corporation read with Section 36 of the S.F.C's Act, 1951, it is hereby notified that the 31st Annual General Meeting of Shareholders of the Corporation will be held on 14th December, 1998 at 3.30 P.M. (Standard time) at Head Office of the Corporation i.e. Nos. 17, 18 & 19, Sector 17-A, Opp. L.I.C. Building, Chandigarh to transact the following business :-

- a) To read and consider the balance sheet as on the 31st March, 1998 and the Profit and Loss Accounts of the Corporation for the year ended 31st of March, 1988 together with report of the Board of Directors on the working of the Corporation throughout the year and the Auditor's Report on the said Balance Sheet and Accounts."
 - b) To elect one Director in the prescribed manner by the Insurance Companies, who are shareholders of the Insurance Companies, who are shareholders of the Corporation referred to in Clause (c) of Sub Section (3) of Section 4 of SFCs Act, 1951 in place of Sh. N.P. Bali for the unexpired period of his term i.e. upto 20.7.2001.
 - c) To elect one Director in the prescribed manner by the Co-operative Banks who are shareholders of the Corporation referred to in Clause (c) of Sub Section (3) of Section 4 of SFCs Act, 1951, in place of Sh. Surinder Singh Mann for a period of four years.
 - d) To elect one Director in the prescribed manner by the shareholders referred to in Clause (d) of Sub Section (3) of Section 4 of SFCs Act, 1951 in place of Sh. S.P. Virmani for a period of four years.
 - e) To elect one Director in the prescribed manner by the Scheduled Banks, who are shareholders of the Corporation referred to in Clause (c) of Sub Section (3) of Section 4 of S.F.C.'s Act, 1951, in place of Sh. R.P. Gupta.
2. It is further, notified that share register of the Corporation shall remain closed and the registration of transfers suspended from 1st December, 1998 to 14th December, 1998.

NOTE :

1. Last date for receipt of nomination papers at Head Office of the Corporation for election as Directors by the Shareholders, shall be 30th November, 1998.
2. Last date for receipt of proxies for exercising voting rights by the shareholders shall be 7th December, 1998.
3. Last date for deposit of certified copies of resolutions appointing duly authorised representatives by Companies/ Banks/Co-operative Banks/Insurance Companies, shall be 10th December, 1998.

By order of the Managing Director

General Manager (Finance)



**HARYANA FINANCIAL CORPORATION CHANDIGARH
CHANDIGARH**

LIST OF DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31.3.1998

- | | | |
|-----|---|---|
| 1. | Sh. L.M. Jain, IAS,
Principal Secretary to
Chief Minister, Haryana,
Chandigarh. | Nominated by the State Govt. |
| 2. | Sh. P.K. Gupta, IAS,
Director of Industries,
Haryana, Chandigarh. | Nominated by the State Govt. |
| 3. | Shri Y.S. Malik, IAS,
Managing Director,
Haryana State Industrial
Development Corporation Ltd.,
Chandigarh. | Nominated by the State Govt. |
| 4. | Pandit Hoshiar Singh Sharma,
128, Vikas Nagar,
Near Haryana Vikas Party Office,
Sonapat Road, Rohtak. | Nominated by the State Govt. |
| 5. | Shri S.K. Gupta,
General Manager,
RPCD, Reserve Bank of India,
6, Sansad Marg, New Delhi. | Nominated by Reserve Bank of India. |
| 6. | Shri B.K. Batra,
General Manager,
Industrial Development
Bank of India,
Sector 17, Chandigarh | Nominated by Industrial Development
Bank of India. |
| 7. | Shri Dharam Dev.
General Manager,
Small Industries Development
Bank of India,
Sector 17, Chandigarh. | Nominated by Small Industries Development
Bank of India. |
| 8. | Shri Surender Singh Mann,
1, Randhir Singh Lane,
Karnal. | Elected to represent Co-
operative Banks. |
| 9. | Sh. Satya Paul Virmani,
15 Archbishop Makarios Marg,
(Formerly Golf Links)
New Delhi. | Elected to represent
Private Shareholders. |
| 10. | Sh. N.P. Bali,
Sr. Divisional Manager,
LIC of India,
489, Model Town, Karnal. | Elected to represent
Insurance Companies. |
| 11. | Sh. R.P. Gupta,
Zonal Manager,
Punjab National Bank,
Sector 17, Chandigarh. | Elected to represent
Scheduled Banks. |
| 12. | Shri Raj Kumar, IAS,
Managing Director
Haryana Financial Corporation,
Chandigarh. | Nominated by the State
Govt. |

DIRECTORS' REPORT

The Board of Directors of the Corporation have pleasure in presenting the 31st Annual Report on the working of the Corporation together with audited statement of accounts for the year ended March 31, 1998.

FINANCIAL REVIEW

During the year 1997-98, inspite of stagnant economy the Corporation has achieved satisfactory financial results. The income of the Corporation has risen by 11.49% over the previous year. The details of the working results are as under :-

(Rs. in Crores)

	1997-98	1996-97
A. Income	110.64	99.24
B. Operating Expenses	99.23	93.08
C. Operating Profit (A-B)	11.41	6.16
D. Other expenses	3.84	3.38
E. Profit (Before writing off bad debts and provisions)	7.57	2.78
Less : bad debts written off	4.99	0.16
Profit before provisions	2.58	2.62
Less provision for taxation	0.34	0.40
Net profit	2.24	2.22

Financial Resources

During the year 1997-98 the Corporation raised funds from different sources such as SLR bonds, loans from Banks, deposits from institutions and refinance in addition to plough back of internal accruals. The details under various heads is discussed below :

Refinance

During the year under review the Corporation raised refinance to the extent of Rs. 0.97 crores from IDBI and Rs. 60.87 crores from SIDBI. A sum of Rs. 69.12 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 and was repaid. A fresh credit limit of Rs. 5.45 crores was sanctioned and availed during the year.

SLR Bonds

During the year the Corporation issued three series of SLR Bonds and raised an amount of Rs. 26 crores. The bonds worth Rs. 2.48 crores which matured during the year were repaid.

Premature Payments

Due to reduction in interest rates in the financial market during the current financial year, higher cost funds i.e. Refinance Against Working Capital to the extent of Rs. 11.84 crores, NDI from IDBI worth Rs. 7.50 crores, both bearing rate of interest of 16% and 17.5% Bonds 2002 to the extent of Rs. 43.30 crores have been repaid by mobilising cheaper funds.

Deposits

The Corporation continued to accept deposits from institutions under Section 8 of the SFC's Act 1951 and raised Rs. 3.48 crores during the year. Further deposits of Rs. 3.01 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. 61.00 crores were raised. Further Rs. 87.30 crores were repaid during the year.

Operational Highlights

The year 1997-98 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. 179.59 crores during the year. The activity wise sanctions are given in the table below :-

		Rs. in crores
Term Loans	SSI	167.41
	Others	12.18
	Total	<u>179.59</u>

Flow of Assistance :

As envisaged in State Government 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 Rs. 167.41 crores to the units which are in small scale sector which is more than 93% of the total sanctions.

(b) Assistance to Backward Areas

The flow of assistance from the Corporation during the year indicate that 36.02% 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	1043.79
2. Small Hospital / Nursing Home	14.50
3. Hotel Industries	31.54
4. RIS Composit loans	2.02
5. Equipment Refinance Scheme	503.82
6. Others	16,363.17

Industry-wise sanctions.

The important industrial sectors which has obtained term loan assistance from the Corporation during the year are food processing and agro based Rs. 13.37 crores, textile spinning weavign & finishing Rs. 26.69 crores, footwear & wearing apparels Rs. 4.53 crores, metal industry Rs. 20.67 crores and balance to other type of industries.

Size wise sanctions

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

Size of assistance	(Rs. in lacs)	
	<u>No.</u>	<u>Amount</u>
Upto Rs. 1 lakh	17	13.00
Rs. 1 to Rs. 5 lakh	181	557.93
Rs. 5 to Rs. 10 lakh	146	1068.65
Rs. 10 to Rs. 20 lakh	156	2438.79
Rs. 20 to Rs. 50 lakh	149	5292.08
Rs. 50 to Rs. 90 lakh	46	3175.80
Rs. 90 to Rs. 120 lakh	20	2167.38
Above Rs. 120 lakh	17	3245.21
Total	732	17,958.84

Disbursement

The Corporation disbursed Rs. 106.94 crores during the year as against Rs. 137.88 crores in the previous year. The lesser disbursement during the year is due to delay in implementation of projects by entrepreneurs and discontinuance of activities like working capital finance, leasing and merchant banking.

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. 213.13 crores during the year thereby registering an increase of 21.57% 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 1997-98 are given below :

	Rs. in Crores
Arrears at the beginning of the year	227.58
Current Dues	329.13
Total Dues	556.71
Less amount rescheduled	25.08
Net Dues	531.63
Total Collections	213.13
Arrears at the end of the year	318.50

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. 597.23 crores out of which standard Rs. 387.92 crores, Substandard Rs. 112.81 crores, Doubtful Rs.

86.22 crores and Loss Assets Rs. 10.28 crores. The Corporation has made a provision of Rs. 8.14 crores for non performing assets during the year 1997-98 thereby taking the total provision to Rs. 47.14 crores upto the year 1997-98.

Auditors :

M/s Mittal Seth & Sharda Chartered Accountants were appointed by the State Govt. as statutory auditors for 1997-98.

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 8 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 continuance 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 given support by extending line of credits to meet Corporation's commitments.

The Board wishes to place on record its appreciation of the contribution made by the past Managing Director Sh. Manik Sonawane, IAS and outgoing Directors Sh. Radhey Shyam and Sh. R.K. Bansal.

The Board takes this opportunity to express its deep appreciation of the efforts put in by Sh. Raj Kumar, IAS 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

L.S. M. Salins
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 Corporation Act, 1951, We have audited the attached Balance Sheet of Haryana Financial Corporation as at 31st March, 1998 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 under settlement scheme involving default amount of Rs. 137.47 lacs for Rs. 73.76 lacs during the year under review, which in our opinion the Corporation could have negotiated for more amount as per the settlement scheme. Out of 12 cases settled during the previous year, the Corporation has cancelled settlement in one case involving settlement amount of Rs. 2.00 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 make a view as per the performance parameters. In our opinion, these should be regularly carried out.
 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. An amount of Rs. 809.58 lacs is outstanding as advances to Leasing equipment suppliers out of which, in our opinion, an amount of Rs. 549.75 lacs is doubtful of recovery. No provision for the same has been made.
 5. Register of leased equipment showing particulars as to quantitative details, identification marks and location of assets has not been maintained.
 6. We have informed that physical verification of leased equipment financed and capitalised is being carried out by the Corporation. However, no provision has been made for the leased equipment not available with the lessees. Further, the Corporation has continued to charge depreciation on these assets.
 7. It has been observed that neither the Corporation has got the leased assets insured nor any document is available on record to establish that these assets were insured by the lessees. In our opinion most of leased assets remained uninsured.
 8. Amount lying in courts amounting to Rs. 1,53,38,344/- taken towards recovery in the year 1992-93 by crediting to the respective borrowers accounts against amount outstanding towards principal loan and misc. expenses. The amount of Rs. 1,37,94,642/- is yet to be received from the courts.
 9. The balance of loans and advances recoverable under different heads are subject to confirmation (Refer Note No. B. 1 of Schedule 'S').
 10. The Corporation has accounted for income and expenditure on cash basis except for provision for taxation and depreciation on fixed assets.
 11. The internal audit system is not commensurate with the size of the business of the Corporation. In our opinion it needs to be strengthened.
 12. A sum of Rs. 712.81 lacs received in the previous years by the Corporation from the State Government by way of loan in lieu of share capital has been converted into share capital during the year. In addition interest on loan in lieu of share capital and dividend payable to the State Government amounting to Rs. 341 lacs was converted into ordinary share capital of the Corporation (Refer Note No. B. 12 of Schedule 'S').
 13. The Corporation had converted debt amounting to Rs. 223.75 lacs involving five cases into equity by way of settlement in 1995-96. Firstly, the Corporation has liquidated its right of recovery from assets held as securities. Further, two of these companies have not got their shares listed at any of the Stock Exchanges. In two cases, there is no buy back agreement with promoters. No steps have been taken to secure the interest of the Corporation.