

ANNUAL REPORT

1998-99

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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 32nd Annual General meeting of Shareholders of the Corporation will be held on Friday, the 4th Feb., 2000 at 3.30 P.M. (IST) 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, 1999 and the Profit and loss Accounts of the Corporation for the year ended 31st of March, 1999 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 scheduled 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. R.P. Gupta for the unexpired period of his term i.e. upto 13.12.2002.
2. It is further, notified that share register of the Corporation shall remain closed and the registration of transfers suspended from 1st February, 2000 to 4th February, 2000.

NOTE :

1. Last date for receipt of nomination papers at Head Office of the Corporation for election as Director by the Shareholders, shall be 20th January, 2000.
2. Last date for receipt of proxies for exercising voting rights by the shareholders shall be 27th January 2000.
3. Last date for deposit of certified copies of resolutions appointing duly authorised representatives by Companies/ Banks Co-operatives Banks/Insurance Companies, shall be 30th January 2000.

By order of the Managing Director

General Manager (Finance)



HARYANA FINANCIAL CORPORATION CHANDIGARH

LIST OF DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31.3.1999

- | | |
|--|---|
| 1. Sh. L.M. Jain, IAS
Principal Secretary to
Chief Minister, Haryana,
Chandigarh | Nominated by the State Govt. |
| 2. Sh. Rajiv Arora, IAS
Director of Industries,
Haryana, Chandigarh | Nominated by the State Govt. |
| 3. Sh. Y.S. Malik, IAS,
Managing Director,
Haryana State Industrial
Development Corporation Ltd.,
Chandigarh | Nominated by the State Govt. |
| 4. Pandit Hoshier Singh Sharma,
128, Vikas Nagar,
Near Haryana Vikas Party office,
Sonepat Road, Rohtak | Nominated by the State Govt. |
| 5. Sh. S.K. Gupta
General Manager,
RPCD, Reserve Bank of India,
6, Sansad Marg, New Delhi | Nominated by Reserve Bank of India. |
| 6. Sh. B.K. Batra,
General Manager,
Industrial Development
Bank of India,
Sector 17, Chandigarh | Nominated by Industrial Development
Bank of India. |
| 7. Shri P.E.S. Vidyasagar
General Manager,
Small Industries Development
Bank of India,
Sector 17, Chandigarh | Nominated by Small Industries Development
Bank of India. |
| 8. Sh. R.P. Gupta,
Zonal Manager,
Punjab National Bank,
Sector 17, Chandigarh. | Elected to represent
Scheduled Banks. |
| 9. Sh. A.K. Dass Gupta,
Sr. Divisional Manager,
LIC of India,
489, Model Town, Karnal. | Elected to represent
Insurance Companies. |
| 10. Dr. S.S. Dalal,
Branch Manager,
Hissar Cooperative Bank,
Hissar | Elected to represent
Cooperative Bank |
| 11. Sh. Vineet Virmani,
15 Archbishop Makarios Marg,
(Formerly Golf Links)
New Delhi | Elected to represent
Private Shareholders. |
| 12. Shri L.S.M. Salins, IAS,
Managing Director,
Haryana Financial Corporation,
Chandigarh | Nominated by the State
Govt. |



HARYANA FINANCIAL CORPORATION CHANDIGARH DIRECTORS' REPORT

Board of Directors of the Haryana Financial Corporation have great pleasure in presenting the 32nd Annual Report on the working of the Corporation for the year ended 31st March 1999. The audited statements of accounts are also enclosed for the year under review.

CORPORATION'S BUSINESS

Due to slow industrial growth and depressed primary and secondary market, the business of the Corporation also suffered adversely. Some of the core industries like Paper, Steel, Cement, Pipes, Cotton Ginning and Spinning etc. have to face rough weather due to globalisation factor. This affected the fresh sanctions of the Corporation. Further, the Financial Institutions have to face tough competition from the commercial Banks. The cost of sources of finance of the State Level Institution is considerably high in comparison to Banks and as a result the lending rates of the Corporation are higher vis-a-vis Banks.

The financial position of the Corporation is quite precarious. The problem of burgeoning NPAs is looming large. Due to prolonged recession in the economy and increasing competition, the incidence of sickness in small scale has increased. In order to reduce NPAs the Corporation has to be careful in extending loans to green field venture. At the same time there is tremendous pressure to increase the business to meet the administrative and other expenses. Thus it has become imperative for the Corporation to strike a balance between these two options.

In today's scenario it has become very difficult for SFCs to carry out its role of development Financial Institutions. SFCs are no more in a position to tap cheaper funds from the market on account of poor status of their balance sheet. Due to high cost of capital, the SFCs are being forced to lend at a higher rates. Further, SFCs are also expected to fulfill their role of DFI for tiny and small scale sector, a sector which is very vulnerable to high interest rates. Thus the Govt has to consider for providing cheaper funds to SFCs so that small scale units could be helped.

In order to ensure the long term viability of the Corporation certain changes in SFCs Act are imperative. The recommendations of Khan Committee Report which were given way back in 1994, are yet to be implemented by the Govt of India. Some of these recommendations are quite useful to the corporation. We are eagerly waiting for the implementation of these recommendations. There are still severe restrictions on the cost of project, paid up capital and reserves of the companies whom we can finance. These are impediments in our path of good port-folio investment. It is expected that changes would be made in SFCs Act as far as ceiling on cost of project and equity capital of assisted units are concerned. This would enable the Corporation in retaining good loan port-folio.

OPERATIONAL HIGHLIGHTS

As mentioned earlier, due to slow industrial growth the Corporation could not achieve growth in the operational areas of sanction, disbursement and recovery of dues. Despite the recessionary trends and liquidity crunch in economy and industry, the Corporation has nearly achieved its targets. In the area of sanction of loan the small scale sector was the largest beneficiary. The performance in its key areas vis-a-vis targets are given below:

(Rs in crores)

	<u>Targets</u>	<u>Achievements</u>
Sanctions.	120.00	115.34
Disbursements.	80.00	78.89
Recovery.	184.00	182.74

SANCTION OF LOANS

The Corporation could sanction Rs.115.34 crores to units. The Corporation launched districtwise business promotion campaigns throughout the year. However, in order to curb high incidence of Non-Performing Assets, efforts were made to sanction loans only to financially sound borrowers having good track record. Wherever some risk was perceived, the loan



was given after obtaining collateral security. Loans amounting to Rs.108.69 crores were given to the units in the Small Scale Sector which is more than 94% of the total amount sanctioned.

INDUSTRY WISE SANCTION

The important industrial sectors which has obtained term loan assistance from the Corporation during the year are food processing and agro based Rs.10.98 crores, textile spinning weaving & finishing Rs.22.25 crores, footwear & wearing apparels Rs.5.66 crores, metal industry Rs.9.71 crores, hotel industry Rs.3.19 crores and balance to other type of industries.

SIZEWISE SANCTION

The size-wise sanctions of term loan is given in table given below:-

<u>1998-99</u>		
<u>Size of Assistance</u>	<u>No.</u>	<u>Amount (Rs. in crores)</u>
Upto Rs.1 lakh	4	3.18
Rs.1 to Rs.5 lakh	75	229.69
Rs.5 to Rs.10 lakh	63	476.16
Rs.10 to Rs.20 lakh	92	1418.62
Rs.20 to Rs.50 lakh	87	2980.43
Rs.50 to Rs.90 lakh	31	2172.26
Rs.90 to Rs.120 lakh	13	1421.33
Above Rs.120 lakh	15	2832.50
TOTAL	380	11534.17

DISBURSEMENT

The Corporation achieved total disbursement of Rs.78.89 crore during the year under review. The low disbursement can be attributed to depressed capital market condition, low industrial growth, high interest rates, competition from banks etc.

RECOVERY OF DUES

In order to improve further liquidity position and reduce dependence on larger debts, the Corporation gave top priority throughout the year to the recovery of its dues. Effective persuasion and follow-up in all the cases was done so as to maximise recovery against the dues. Efforts were made to make the units viable by making reschedulement of repayments in deserving cases. Wherever, the revival of the unit was not possible the Corporation also tried for one time settlement. Efforts were also made for out of court settlement in legal cases. The defaulters who wanted to clear their defaults in one go were given a benefit by waiving penal interest upto 2%. Due to all these steps the Corporation could achieve total recovery of Rs.182.74 crores.

WORKING RESULTS

During the year 1998-99, the Corporation has achieved the following working results :-

<u>(Rs. in Crores)</u>		
	<u>1998-99</u>	<u>1997-98</u>
A. Income	92.01	110.64
B. Operating Expenses	86.49	99.23
C. Operating Profit(A-B)	5.52	11.41



D.	Other expenses	3.75	3.84
E.	Bad debts written off	0.00	4.99
F.	Profit before tax	1.77	2.58
G.	Provision for Income tax	0.19	0.34
	Net Profit	1.58	2.24

The main reason for reduction in profits was due to low spread available because of downward revision in lending rates and rebate in interest rates to good borrowers and high cost of funds resulting from total dependence on borrowed funds.

RESOURCES MANAGEMENT

During the year under review, the Corporation was able to meet all its commitments of disbursement and had also repaid all dues of the Govt, IDBI, SIDBI, RBI, Banks etc without any default. The Corporation also continued pre-paying higher interest rate debts by raising cheaper funds from alternative sources. Brief details of major resources from which the funds sources were raised are given below:

REFINANCE

During the year under review the Corporation raised refinance to the extent of Rs. 54.79 crores, only from SIDBI. A sum of Rs.15.82 crores was repaid to the IDBI and Rs 37.74 crores repaid to the SIDBI during the year.

BORROWINGS FROM RESERVE BANK OF INDIA

The credit limit of Rs.5.45 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.6.00 crores was sanctioned and availed during the year.

SLR BONDS

During the year the Corporation issued one series of SLR Bonds and raised an amount of Rs.36.00 crores. The bonds worth Rs.7.20 crores, which matured during the year, were repaid.

PREMATURE PAYMENTS

During the year, the Corporation pre-paid Bonds of Rs 11.97 crores carrying interest rate of 16% and 17.5% per annum which were due for payment in the year 2001/2002.

DEPOSITS

The Corporation continued to accept deposits from institutions under Section 8 of the SFC's Act 1951 and raised Rs.6.92 crores during the year. Further deposits of Rs. 1.40 crores were repaid during the year.

TERM LOANS/LINE OF CREDIT FROM BANKS

The Corporation continued to raise loans from various banks and during the year Rs. 4.00 crores were raised. Further Rs.42.68 crores were repaid during the year. The Corporation also raised short terms loan of Rs 13.00 crores from SIDBI.

Y2K COMPLIANCE

Corporation has taken prudent measures to address Y2K problem. A leading consultancy firm have performed Y2K compliance audit on the hardware, system software, application software and networking components and found HFC a Y2K Ok organisation and an expenses of Rs. 1.14 lacs has been incurred.

**AUDIT**

M/s Bajaj Ajay & Company, Chartered Accountants were appointed by the State Govt. as statutory auditors for the financial year 1998-99.

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 SFCs' Act, 1951.

BOARD OF DIRECTORS & EXECUTIVE COMMITTEE MEETINGS

During the year under review 7 meetings of Board of Directors and 8 meetings of Executive Committee were held.

ACKNOWLEDGEMENTS

The Board of Directors wish to place on record its gratitude to Govt. of Haryana, Department of Finance & Department of Industries for their continued co-operation and assistance.

The Board of Directors wish to place on record its gratitude to Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI) and Reserve Bank of India (RBI) for their continued support and guidance in all operational and financial matters.

The Board wishes to take the opportunity to thank the Banks, Bond subscribers and share holders for extending their support and cooperation. The Board of Directors also place on record the appreciation of the contribution made by the outgoing directors.

The employees of the Corporation at all levels put in their best in achieving these results. The Board records its appreciation for the continued and sincere efforts put in by the officers and staff of the Corporation.

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FOR AND ON BEHALF OF BOARD OF DIRECTORS

Sd/-

P.K. Gupta

MANAGING DIRECTOR