

**38th
ANNUAL REPORT
2004 - 2005**



Haryana Financial Corporation



BANKERS

PUNJAB NATIONAL BANK,
Bank Square, Sector 17,
Chandigarh-160017

ORIENTAL BANK OF COMMERCE,
Bank Square, Sector 17,
Chandigarh-160017

CORPORATION BANK,
SCO 137-138, Sector 8-C,
Chandigarh-160018

HDFC Bank,
SCO 371-372, Sector 35-B,
Chandigarh

STATUTORY AUDITORS

M/s SERVA ASSOCIATES,
SCO 90-91-92, IInd Floor,
Sector 8-C, Madhya Marg,
Chandigarh-160018

REGISTRAR & TRANSFER AGENTS

M/s BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.,
'Beetal House', 3rd Floor, 99 Madangir, Behind Local Shopping
Centre, Near Dada Harsukhdas Mandir, New Delhi - 110062,
Phone : 011-29961281-82, Fax : 011-29961284

OFFICE

HARYANA FINANCIAL CORPORATION
Nos. 17, 18 & 19, Sector 17-A
Chandigarh - 160 017
Ph. : 2702755-57, 2702568
Fax : 2721624, 2702666
E-mail : harfinco@connect2dsl.net



HARYANA FINANCIAL CORPORATION

NOS 17,18 & 19, SECTOR 17-A, CHANDIGARH

NOTICE

In terms of Regulation 22 of General Regulations of the Corporation read with section 36 of the SFCs Act, 1951, it is hereby notified that the 38th Annual General Meeting of Shareholders of the Corporation will be held on Friday, the 30th December, 2005 at 11.00 A.M. (I.S.T.) 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 :-

- 1) To receive, consider and adopt the audited Balance Sheet as on 31st March, 2005 and the Profit and Loss Accounts of the Corporation for the year ended on that date 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.
- 2) To appoint an audit firm (to be appointed by the shareholders out of the panel of RBI as per detail given in the note No.4) as the Statutory Auditors of the Corporation from the conclusion of the present Annual General Meeting till the conclusion of the next Annual General Meeting for conducting audit for the financial year 2005-2006 at a audit fee of Rs. 30,000, applicable service tax and admissible TA/DA.

NOTES :

1. The Register of Members and Share Transfer Books of the Corporation will remain closed from 27th December (Tuesday) to 30th December, 2005 (Friday) (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Corporation. Proxies in order to be effective must be received at the Head Office of the Corporation by not later then 22nd December, 2005.
3. Last date for deposit of certified copies of resolutions appointing duly authorised representatives by companies/banks/co-operative banks/insurance companies shall be 25th December, 2005.
4. As per section 37(1) of SFCs (Amendment) Act 2000, the Reserve Bank of India have forwarded the panel of the audit firms as per detail :
 1. M/s A.K. Sood & Associates, Chartered Accountants.
SCO 50-51, 2nd Floor, Sector 17-A, Chandigarh-160017
 2. M/s B.M. Varma & Co., Chartered Accountants
SCO 80-81, Sector 17-C, Chandigarh-160017
 3. M/s Pradeep Aggarwal & Associates, Chartered Accountants
Kothi No. 171, Sector 36-A, Chandigarh-160034

The above audit firms have confirmed their eligibility/ consent under the provisions of the Companies Act, 1956 and as per RBI letter. The Brief profiles of the audit firms will be circulated to the shareholders at the meeting to consider and make the appointment .



5. The Corporation has since replaced the revised share certificates with the existing share certificates as per section 6 of SFCs (Amendment) Act, 2000. The members who have not replaced their share certificates are requested to send their existing share certificates to M/s Beetal Financial & Computer Services (P) Ltd., 'Beetal House', 3rd Floor, 99 Madangir, Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi - 110062 for replacement.
6. The members are requested to bring their copy of Annual Report in the meeting.

By Order of the Board
for HARYANA FINANCIAL CORPORATION

Dated : 23rd, November, 2005

Place : Chandigarh

Sd/-
EXECUTIVE DIRECTOR



HARYANA FINANCIAL CORPORATION, CHANDIGARH

LIST OF DIRECTORS ON THE BOARD OF THE CORPORATION



1.	Sh. M.L. Tayal, IAS Principal Secretary to Chief Minister, Haryana	Chairman	Nominated by the State Govt. in terms of Section 10(b) of SFCs Act and appointed as Chairman by SIDBI in terms of Sub-section (1) of Section 15 of SFCs Act.
2.	Sh. P.K. Chaudhery, IAS Financial Commissioner & Principal Secretary to Govt. of Haryana, Industries Deptt. Chandigarh	Director	Nominated by the State Govt. in terms of Section 10(b) of SFCs Act.
3.	Sh. Rajiv Arora, IAS Managing Director, Haryana State Industrial Development Corporation Ltd, (HSIDC, Ltd.), Plot No. C-13-14, Sector 6, Panchkula	Director	Co-opted by the Board in terms of Section 10(e)(iv) of SFCs Act.
4.	Sh. Vineet Virmani 15 Archbishop Makarios Marg, (Formerly Golf Links), New Delhi	Director	Co-opted by the Board in terms of Section 10(e)(iv) of SFCs Act.
5.	Sh. Ramesh G. Dharmaji General Manager, Small Industries Development Bank of India (SIDBI), 11th Floor, Videocon Tower, E-1, Rani Jhansi Road, Jhandewalan Extension, New Delhi-110005	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act
6.	Sh. R.N. Yadava, Dy. General Manager, Small Industries Development Bank of India, NH 5-R/2, Neelam, Badshah Khan Road, NIT, Faridabad	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act
7.	Sh. Ramphal Kundu, Haryana State Co-Op. Apex Bank Ltd, Sector 17-B, Chandigarh	Director	Representing shareholders referred to in clause (c) of Sub-Section (3) of Section 4 of SFCs Act.
8.	Sh. B.P. Chopra, General Manager, Punjab National Bank, Chandigarh	Director	Representing shareholders referred to in clause (c) of Sub-Section (3) of Section 4 of SFCs Act.
9.	Sh. Shashi Kapoor, C/o M/s Indovax (P) Ltd. SCO 24, Sector 14, Gurgaon	Director	Representing shareholders referred to in clause (d) of Sub-Section (3) of Section 4 of SFCs Act.
10.	Dr. S.S. Dalal, Shanti Niketan Bhawan M.C. Colony, Hissar.	Director	Representing shareholders referred to in clause (d) of Sub-Section (3) of Section 4 of SFCs Act.
11.	Sh. Ram Niwas, IAS Managing Director, Haryana Financial Corporation, Chandigarh	Director	Appointed by the State Govt. in terms of Sub-Section (1) of Section 17 of SFCs Act



HARYANA FINANCIAL CORPORATION CHANDIGARH

DIRECTORS' REPORT

Board of Directors of the Haryana Financial Corporation have great pleasure in presenting the 38th Annual Report on the working of the Corporation for the year ended 31st March, 2005.

WORKING RESULTS

During the year 2004-2005, the Corporation has achieved the following working results :

(Rs. in Crores)

	2004-2005	2003-2004
A. Income	51.24	57.18
B. Interest & Other Financial Expenses	38.55	47.87
C. Salaries/Allowances	8.06	6.13
D. Administrative & other Expenses	1.68	1.97
E. Depreciation	1.47	0.63
F. Profit/(Loss) before tax & provision for NPAs	1.48	0.58
G. Provision for Income tax & Interest tax for earlier years	1.33	0.00
H. Provision against NPAs, assets & investments	23.01	4.40
I. Net Profit/(Loss)	(22.86)	(3.82)

OPERATIONAL HIGHLIGHTS

The operational areas of the Corporation viz sanction, disbursement and recovery of its dues during the year with regard to targets are given as under :

(Rs. in Crores)

	<u>Targets</u>	<u>Achievements</u>
Sanctions.	45.00	51.70
Disbursements.	25.00	26.95
Recovery.	145.00	141.98

SANCTION OF LOANS

The Corporation sanctioned Rs. 51.70 crores to 257 units. The Corporation made efforts to provide loan to the good units after obtaining due security to avoid NPAs at the later stage. The entire loans amounting to Rs. 51.70 crores were sanctioned to the units in the Small Scale Sector.

INDUSTRY WISE SANCTION

The important industrial sectors which have obtained term loan assistance from the Corporation during the year are food processing and agro based - Rs. 0.64 crores, textiles spinning weaving & finishing - Rs. 4.09 crores, chemicals & chemical products - Rs. 0.51 crore, metal industry - Rs. 1.05 crores, Footwear & Leather Industry - Rs. 8.59 crores and balance to other type of industries.



SIZEWISE SANCTION

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

2004-2005

Size of Assistance	No.	Amount (Rs. in Crores)
Upto Rs. 01 Lakh	26	0.15
Rs. 01 Lakh to Rs. 05 Lakhs	84	2.09
Rs. 05 Lakhs to Rs. 10 Lakhs	33	2.29
Rs. 10 Lakhs to Rs. 20 Lakhs	40	5.91
Rs. 20 Lakhs to Rs. 50 Lakhs	43	14.04
Rs. 50 Lakhs to Rs. 90 Lakhs	21	14.57
Rs. 90 Lakhs to Rs. 120 Lakhs	7	7.00
Above Rs.120 Lakhs	3	5.65
Total	<u>257</u>	<u>51.70</u>

DISBURSEMENT

The corporation made total disbursement of Rs. 26.95 crores during the year under review. The low disbursement can be attributed to depressed capital market condition, low industrial growth, competition from bank 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 cases was done so as to maximize recovery against the dues. Efforts were made to make the units viable by making re-schedulement of repayments and extension in currency of loans 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. Due to all these steps, the Corporation could achieve total recovery of Rs. 141.98 crores.

RESOURCES MANAGEMENT

During the year under review, the Corporation was able to meet all its commitments of disbursements and had also repaid all dues of Govt, IDBI, SIDBI, Banks etc. without any default. The Corporation continued 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 tune of Rs. 8.26 crores from SIDBI repaid Rs. 34.43 crores including premature payment of Rs. 30.64 crores.

BONDS

During the year, no SLR quota was allocated to the Corporation. However, SLR Bonds worth Rs. 38.23 crores (including premature payment of Rs. 26.95 crores) were repaid during the year. Apart from this, other bonds worth Rs. 0.02 crore were also repaid during the year.

DEPOSITS

No fresh deposits were accepted during the year. Deposits worth Rs. 0.03 crore were repaid during the year.



CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Corporate Governance and Management discussion and Analysis report as per clause 49 of the listing agreement is annexed as Annexure - I with the Directors Report.

AUDIT

The shareholders in its 37th Annual General Meeting held on 08.07.2005 re-appointed M/s Serva Associates, Chartered Accountants, Chandigarh out of the panel of the RBI as Statutory Auditors for the financial year 2004-2005, who have conducted the audit of the Corporation. As regards the appointment of the statutory auditors for the year 2005-06, the Reserve Bank of India have forwarded the fresh panel of the three audit firms as per details in the notice for the AGM. The same are being placed before the shareholders for appointment of the audit firm as statutory auditors for the year 2005-06 under section 37 of SFCs (Amendment) Act, 2000.

AUDIT BY COMPTROLLER & AUDITORS GENERAL OF INDIA

The audit of the affairs of the corporation for the year 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, 4 meetings of Board of Directors and 6 meetings of Executive Committees were held.

ACKNOWLEDGEMENT

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 records its gratitude to Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI) for their continued support and guidance in all operational and financial matters.

The Board wishes to take opportunity to thank the Banks, Bond subscribers and shareholders for extending their support & co-operation. The Board of Directors also place on record its appreciation of the contribution made by past Managing Director Sh. Anil Malik, IAS and 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.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

(Ram Niwas)

MANAGING DIRECTOR

**ANNEXURE - I****CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION & ANALYSIS REPORT****CORPORATE GOVERNANCE REPORT****1. Brief Statement**

The Haryana Financial Corporation has been established under the State Financial Corporation's Act, 1951. The Companies Act, 1956 is not applicable to the Corporation. Accordingly, the recommendations of the Securities & Exchange Board of India (SEBI) on Corporate Governance as per clause 49 of the listing agreement is applicable to the limited extent, being a listed company.

2. Board of Directors

The Board of Directors of the Corporation has been constituted as per section 10 of SFCs (Amendment) Act, 2000. The detail of the directors have been given in the annual report. Except Managing Director, all other directors are Non-Executive. The Chairman is also Non-Executive director. Hence 90% directors are independent.

3. Audit Committee

The Corporation have since constituted the Audit Committee consisting of three independent directors - Sh. Rajeev Arora, Sh. Ramesh G. Dharmaji and Sh. B.P. Chopra. The Chairman is also an independent director. Hence all the constituents of the Audit Committee are independent Directors as required vide clause 49.

4. Remuneration Committee

The Managing Director (full time Director) of the Corporation is being appointed by the State Govt. The remuneration is also being paid to him as per norms of the Centre/State Govt. So the Remuneration Committee has not been constituted by the Corporation.

5. Shareholders/Investors Grievances Committee.

The Corporation have since constituted Shareholders/Investors Grievances Committee consisting of three independent directors namely Sh. Ramesh G. Dharmaji, Sh. S.S. Dalal and Sh. Vineet Virmani.

6. General Body Meetings

The location and time for the last three Annual General Meetings were :

YEAR	AGM	LOCATION	DATE	TIME
2001-2002	35th AGM	SCO No. 17, 18 & 19, Sector 17-A, Chd	22.09.04	11.00 A.M.
2002-2003	36th AGM	--- DO ---	04.03.05	11.00 A.M.
2003-2004	37th AGM	---DO---	08.07.05	11.00A.M.

No postal ballots were used/invited for voting in the above meetings.

7. Disclosures**a) Disclosures on materially significant related party transactions**

None of the transactions with any of the related parties were in conflict with the interest of the Corporation.

b) Penalties by stock exchanges/SEBI for non compliance by the Corporation.

None



8. Means of Communication

The quarterly financial results of the Corporation are being published in the two news papers - "The Indian Express (English Ed.) and Dainik Bhaskar (Hindi Ed.), Chandigarh and also placed on the website of the Corporation (www.hfcindia.org.)

9. General Shareholders information

9.1 Annual General Meetings

- Date and Time 30.12.2005 at 11.00 A.M.
- Venue Head Office of Corporation

9.2 Financial Calender (Tentative)

- Results for quarter ending March, 2005 Published on 27.07.05
- Results for quarter ending June, 2005 Published on 27.07.05
- Results for quarter ending Sept, 2005 Published on 13.10.05
- Results for quarter ending Dec, 2005 Last week of Jan.06

9.3 Book Closure date 27th Dec. to 30th Dec., 2005

9.4 Dividend payment date No dividend has been recommended by the Board

9.5 Listing of Shares Stock Exchanges Ahmedabad, Calcutta, Chennai, Delhi & Mumbai

9.6 Stock code/Script Code 8125

9.7 Stock Market Data Not being quoted

9.8 Share price performance Not being quoted

9.9 Registrar & Transfer Agents M/s Beetal Financial & Computer Services (P) Ltd., 'Beetal House', 3rd Floor, 99 Madangir, Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi - 110062, Phone : 011-29961281-82, Fax : 011-29961284

9.10 Share Transfer System

The Share Transfer cases received are being processed by the share transfer agent who forward the share transfer register to the Corporation for approval. The Share Transfer committee of the Corporation considered/approved the transfer case and inform to the Registrar. The Registrar make the endorsement on the share certificates and forward the share certificates duly transferred to transferee.

9.11 Distribution of shareholding as on 31st March, 2005

State Govt.	-	81%
IDBI	-	14%
Banks/Insurance Co.	-	01%
Private Shareholders	-	04%