

**41st  
ANNUAL REPORT  
2007 - 2008**

Report  nction.com



**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 A. K. SOOD & ASSOCIATES,  
Chartered Accountants,  
SCO 126-127, IInd Floor, Sector 8, Madhya Marg,  
Chandigarh

### **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  
Bays Nos. 17, 18 & 19, Sector 17-A  
Chandigarh - 160 017  
Ph. : 2702755-57, 2702568  
Fax : 2721624, 2702666  
E-mail : [harfinco@connectzone.in](mailto:harfinco@connectzone.in)  
Website : [www.hfcindia.org](http://www.hfcindia.org)



## 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 State Financial Corporations' Act, 1951 (SFCs), it is hereby notified that the 41st Annual General Meeting of Shareholders of the Corporation will be held on Thursday, the 31st July, 2008 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 of the Corporation as on 31st March, 2008 and the Profit and Loss Accounts for the year ended on that date together with the Reports of the Directors and Auditor's thereon.
- 2) To re-appoint M/s A. K. Sood & Associates, Chartered Accountants, Chandigarh 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 2008 - 2009 at a audit fee of Rs. 40,000/- plus applicable Service tax and admissible TA/DA as approved by the Board of the Corporation.
- 3) To accept /elect a director nominated in the prescribed manner to represent the shareholders referred to in clause (c) of sub section (3) of Section 4 of the SFCs Act in place of Sh. B.P. Chopra for his unexpired period of term i.e. upto 21.09.2010 or upto the date of the Annual General Meeting in the 2nd year (i.e. in 2010) whichever is earlier.
- 4) To accept / elect a director nominated in the prescribed manner to represent the shareholders referred to in clause (c) of sub section (3) of section 4 of the SFCs Act for a period of three years.
- 5) To elect a director in the prescribed manner to represent the shareholders referred to in clause (d) of sub section 3 of section 4 of the SFCs Act in place of Sh. Vineet Virmani for his unexpired period of term i.e. upto 21.09.2010 or upto the date of the Annual General Meeting in the 2nd year (i.e. in 2010) whichever is earlier.

### NOTES :

- i) The Register of Members and Share Transfer Books of the Corporation will remain closed from Monday, July 28, 2008 to Thursday, July 31st, 2008 (both days inclusive).
- ii) The PNB vide their letter dated 02.06.2008 has withdrawn the nomination of their Sh. B.P. Chopra, GM, director on our board to represent shareholders referred to in clause (c) of sub section (3) of Section 4. Sh. Vineet Virmani has also submitted his resignation dated 16.06.2008 from the directorship of the Corporation representing shareholders under clause (d) of sub-section (3) of



section 4. Accordingly, the nominations are invited for the casual vacancies thus occurred in the office of directors referred to in Section 4(3)(c) & (d) alongwith a vacancy already lying vacant in the office of directors referred to in section 4(3)(c).

- iii) The Last date for receipt of nomination papers at Head Office of the Corporation for election as Directors by the shareholders, (category 'c' & 'd') shall be 17th july, 2008.
- iv) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) 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 24th July, 2008.
- v) Last date for deposit of certified copies of resolutions appointing duly authorized representatives by companies / banks / insurance companies shall be 27th July, 2008.
- vi) The shareholders of the Corporation in its 40th Annual General Meeting held on 30.07.2007 re - appointed M/s A. K. Sood & Associates, Chartered Accountants, Chandigarh as Statutory Auditors of the Corporation for the financial year 2007-08 ( for the third term ) u/s 37(1) of SFCs (Amendment) Act, 2000. As per RBI guidelines, an audit firm can be re-appointed upto four terms. The RBI has confirmed their eligibility. The audit firm has also given their consent under the provisions of the Companies Act, 1956 and accordingly the case is placed before the shareholders for their re-appointment.
- vii) The members are requested to bring their copy of Annual Report in the meeting.

By Order of the Board  
for HARYANA FINANCIAL CORPORATION

EXECUTIVE DIRECTOR

Dated : 25.06.2008

Place : Chandigarh

**HARYANA FINANCIAL CORPORATION, CHANDIGARH****LIST OF DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31-03-2008**

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. Rajeev Arora, IAS Managing Director, Haryana State Industrial & Infrastructure Development Corporation Ltd, (HSIIDC, 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. N. K. Maini Chief General Manager Small Industries Development Bank of India (SIDBI), H.O. SIDBI Tower, 15 Ashok Marg, Lucknow - 226001	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act.
5.	Sh. Namgial, G.M. General Manager, Small Industries Development Bank of India, SCO 145-146, Sector 17-C, Chandigarh - 160017	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act.
6.	Sh. B.P. Chopra, General Manager, Punjab National Bank, Chandigarh - 160017	Director	Representing shareholders referred to in clause (c) of Sub-Section (3) of Section 4 of SFCs Act.
7.	Sh. Gautam Nair M/s Matrix Clothing P. Ltd. 107-B, Beverly Park - I DLF City - II, Gurgaon - 122002	Director	Representing shareholders referred to in clause (d) of Sub-Section (3) of Section 4 of SFCs Act.
8.	Sh. Vineet Virmani 15 Archbishop Makarios Marg, (Formerly Golf Links), New Delhi	Director	Representing shareholders referred to in clause (d) of Sub-Section (3) of Section 4 of SFCs Act.
9.	Smt. Dheera Khandelwal, IAS Managing Director Haryana Financial Corporation, Chandigarh - 160017	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 41st Annual Report together with the Audited statements of accounts on the working of the Corporation for the year ended 31st March, 2008.

#### WORKING RESULTS

During the year 2007-2008, the Corporation has achieved the following working results :

		(Rs. in Crores)	
		2007-2008	2006-2007
A.	Income	28.99	36.82
B.	Interest & Other Financial Expenses	25.87	21.50
C.	Personnel Expenses	15.86	7.49
D.	(i) Administrative Expenses	1.91	2.07
	(ii) Bad debts written off	87.27	0.11
E.	Depreciation	0.93	2.33
F.	Profit before tax & provision for NPAs	(-) 102.85	3.31
G.	(i) Provision for Income tax & Interest tax for earlier years	0.86	--
	(ii) Fringe benefit tax	0.03	0.04
	(iii) Provision for deferred tax	33.50	--
H.	Provision against NPAs, leased assets & investments	(-) 85.86	(-) 3.10
I.	Net Profit / (Loss)	15.62	6.37

#### 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. In the area of sanction of loan the small scale sector was largest beneficiary.

(Rs. in Crores)		
	<u>Targets</u>	<u>Achievements</u>
Sanctions.	60.00	59.17
Disbursements.	50.00	54.98
Recovery.	81.50	70.23

#### SANCTION OF LOANS

The Corporation sanctioned Rs. 59.17 crores to 84 units. The Corporation made efforts to provide loan to the good units being established in the HUDA/HSIDC approved industrial estates after obtaining due security to avoid NPAs at the later stage. The loan amounting to Rs. 59.17 crores were sanctioned to 84 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. 0.24 crore, textiles spinning weaving & finishing - Rs. 7.80 crores, metal industry - Rs. 3.74 crore, footwear & leather industry - Rs. 0.45 crores, electricals & electronics - Rs. 3.25 crores, Infrastructure - Rs. 13.05 crores & paper printing- Rs. 2.25 crores and balance to other type of industries.



### **SIZEWISE SANCTION**

The detail of size-wise sanctions of term loan during the year is given as under :-

2007-2008

<u>Size of Assistance</u>	<u>No.</u>	<u>Amount</u> (Rs. in Lacs)
Upto Rs. 01 Lakh	2	1.60
Rs. 01 Lakh to Rs. 05 Lakhs	16	47.59
Rs. 05 Lakhs to Rs. 10 Lakhs	6	41.26
Rs. 10 Lakhs to Rs. 20 Lakhs	9	138.30
Rs. 20 Lakhs to Rs. 50 Lakhs	25	842.93
Rs. 50 Lakhs to Rs. 90 Lakhs	8	619.80
Rs. 90 Lakhs to Rs. 120 Lakhs	8	791.00
Above Rs.120 Lakhs	10	3434.50
<b>Total</b>	<b>84</b>	<b>5916.98</b>

### **DISBURSEMENT**

The Corporation made total disbursement of Rs. 54.98 crores during the year under review against target of Rs. 58.00 crores for the current year and further against disbursement of Rs. 67.09 crores during the previous year.

### **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. 70.23 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 the SIDBI & Banks etc. without any default. Brief details of major resources from which the funds were raised are given below :-

#### **SHARE CAPITAL FROM STATE GOVT.**

In order to strengthen the equity base of the Corporation, to achieve positive net worth and the desired CRAR as advised by SIDBI in terms of the RBI guidelines, the Corporation approached the State Govt. to provide share Capital of Rs. 145.00 crore. The State Govt. considered our case and provided share capital contribution of Rs. 65.75 crores during the financial year 2007-08 as against Rs. 5.00 crores during the financial year 2006-07. In addition to above, the State govt. made a provision of Rs. 80.88 crore towards increase in the share capital of the Corporation in its Annual Plan 2008-09.

### **REFINANCE**

During the year under review, the Corporation availed refinance to the tune of Rs. 40.00 crores from SIDBI and repaid Rs. 2.60 crore including soft loan to SIDBI.

### **BONDS**

During the year, no SLR quota was allocated to the Corporation. Further, no bonds were matured for repayment during the year.



### **LINE OF CREDIT (LOC) FROM BANK**

During the financial year 2005-06, the Corporation got LOC worth Rs. 20.00 crores from Punjab & Sind Bank against State Govt. guarantee and also secured by immovable asset of the Corporation. A sum of Rs. 4.25 crore due during the year has been repaid.

### **LOANS FROM HUDA**

During the year 2006-07, the Corporation availed a loan of Rs. 32.00 crores from HUDA to make pre-mature payment of high cost borrowings. A sum of Rs. 2.00 crores has been repaid during the year 2007-08.

### **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 with the Directors' Report.

### **LISTING**

The equity shares of the Corporation are listed at Bombay Stock Exchange Ltd. (BSE) (Scrip code No. 530927).

### **DELISTING OF THE EQUITY SHARES OF THE CORPORATION**

The shares of the Corporation (as per resolution passed by the shareholders in its meeting held on 04.03.2005) have since been delisted under the SEBI (Delisting of Securities) guidelines, 2003 from the stock exchanges at Ahmedabad, Chennai, Delhi & Calcutta w.e.f. 31.03.2006, 23.01.2007, 24.03.2007 & 10.03.2008 respectively.

### **AUDIT**

The shareholders in its 40th Annual General Meeting held on 30.07.2007 re-appointed M/s A. K. Sood & Associates, Chartered Accountants, Chandigarh out of the panel of the RBI as Statutory Auditors for the financial year 2007-2008, who have conducted the audit of the Corporation.

### **AUDIT BY COMPTROLLER & AUDITOR 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 4 meetings of Executive Committees were held.

### **ACKNOWLEDGEMENTS**

The Board of Directors wishes 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 wishes to place on record its gratitude to Small Industrial 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 places on record its appreciation of the contribution made by the past Managing Directors Sh. Ram Niwas, IAS and Smt. Neerja Sekhar, IAS and 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.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

(Dheera Khandelwal)  
MANAGING DIRECTOR



**ANNEXURE TO DIRECTORS REPORT****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 State Financial Corporations Act, 1951 as amended by 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.

**3. Audit Committee**

The Corporation have since constituted the Audit Committee. At present the committee consists of Sh. Rajeev Arora, IAS, Chairman of the Audit Committee, Sh. Vineet Virmani and Sh. Namigial, Members of the committee. All the above Directors are non executive directors & are independent Directors as required under 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. At present the committee consist of Sh. Vineet Virmani, Chairman of the committee, Sh. Namigial & Sh. Gautam Nair, Members of the committee. All the above directors are non executive and independent Directors as required under clause 49.

**6. General Body Meetings**

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

YEAR	AGM	LOCATION	DATE	TIME
2004-2005	38th AGM	HFC, Bays No. 17,18 & 19, Sector 17-A, Chandigarh	30.12.05	11.00 A.M.
2005-2006	39th AGM	---DO---	09.08.06	11.00 A.M.
2006-2007	40th AGM	---DO---	30.07.07	11.00 A.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.). The Annual Reports are being despatched under UPC.

## 9. General Shareholders information

### 9.1 Annual General Meetings

- Date and Time 31.07.2008 at 11.00 A.M.
- Venue Head Office of the Corporation

### 9.2 Financial Calendar (Tentative)

- Results for quarter ending June, 2008 End July, 2008
- Results for quarter ending Sept, 2008 End Oct., 2008
- Results for quarter ending Dec, 2008 End Jan., 2009
- Results for quarter ending Mar, 2009 End April, 2009

### 9.3 Book Closure date 28th to 31st July, 2008

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

### 9.5 Listing of Shares Bombay Stock Exchange Ltd. (BSE), Mumbai.

### 9.6 Stock code/Script Code 530927

### 9.7 Stock Market Data Rs. 13.89 on 14.05.2007

(Quoted at BSE) Rs. 15.30 on 04.12.2007

Rs. 17.65 on 18.01.2008

### 9.8 Share price performance Refer 9.7

### 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, 2008

State Govt.	-	94.61%
IDBI	-	4.13%
Banks/Insurance Co.	-	0.01%
Private Shareholders	-	1.25%