

**42nd
ANNUAL REPORT
2008 - 2009**

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Haryana Financial Corporation



BANKERS

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

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

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

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

STATUTORY AUDITORS

M/s A. K. SOOD & ASSOCIATES,
Chartered Accountants,
SCO 126-127, IIInd 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 : mdhfc@airtelmail.in
Website : 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 42nd Annual General Meeting of Shareholders of the Corporation will be held on Thursday, the 30th July, 2009 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, 2009 and the Profit and Loss Accounts for the year ended on that date together with the Reports of the Directors and Auditors' thereon.
- 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 2009 - 2010 at a audit fee of Rs. 40,000/- , applicable service tax and admissible TA/DA.

NOTES :

- 1 The Register of Members and Share Transfer Books of the Corporation will remain closed from Monday, July 27, 2009 to Thursday, July 30th, 2009 (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 than 22nd July, 2009.
- 3 Last date for deposit of certified copies of resolutions appointing duly authorized representatives by companies / banks / insurance companies shall be 27th July, 2009.
- 4 As per section 37(I) of SFCs (Amendment) Act, 2000, the Reserve Bank of India has forwarded the panel of the audit firms and the Corporation has short-listed the following audit firms from Category - I :
 1. M/s Raj Gupta & Co.
1850, Sector 34-D,
Chandigarh



2. M/s Dhillon & Associates
Quiet Office No. 4, Sector 35-A,
Chandigarh
3. M/s Avnish Sharma & Associates
SCO 47, 2nd Floor, Dakshin Marg,
Sector 20-C, Chandigarh - 160020

The brief profile of the audit firms will be circulated to the shareholders at the meeting to consider and make the appointment.

- 5 The members are requested to bring their copy of Annual Report in the meeting.

By Order of the Board
for HARYANA FINANCIAL CORPORATION

Dated : 24.06.2009

Place : Chandigarh


GENERAL MANGER

HARYANA FINANCIAL CORPORATION, CHANDIGARH**LIST OF DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31-03-2009**

- | | | | |
|----|---|----------|--|
| 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. Y.S. Malik, 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. M.K. Sharma
General Manager
Small Industries Development Bank
of India (SIDBI),
Videocon Tower, E-1, rani Jhansi Road,
Jhandewalan Extn., New Delhi | Director | Nominated by SIDBI in terms of section 10(c) of SFCs Act. |
| 5. | Sh. Vivek Malhotra,
Dy. 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. Rohtash Kumar
Dy. 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. Shashi Kapur
225, Sector 14,
Urban Estate
Gurgaon | 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 42nd Annual Report together with the Audited statements of accounts on the working of the Corporation for the year ended 31st March, 2009.

WORKING RESULTS

During the year 2008-2009, the Corporation has achieved the following working results :

		(Rs. in Crores)	
		2008- 09	2007- 08
A.	Income	34.62	28.99
B.	Interest & Other Financial Expenses	23.15	25.87
C.	Personnel Expenses	8.78	15.86
D.	(i) Administrative Expenses	1.70	1.91
	(ii) Bad debts written off	0.04	87.27
E.	Depreciation	0.84	0.93
F.	Profit before tax & provision for NPAs	0.11	(-) 102.85
G.	(i) Provision for Income tax & Interest tax for earlier years	-	0.86
	(ii) Fringe benefit tax	0.03	0.03
	(iii) Provision for deferred tax	(-)2.70	33.50
H.	Provision against NPAs, leased assets & investments written back	3.99	85.86
I.	Net Profit	1.37	15.62

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>TARGET (2008-09)</u>	<u>PERFORMANCE FOR THE YEAR 2008-09</u>
	Sanction.	90.00	64.57
	Disbursement.	55.00	23.94
	Recovery	73.00	73.73

SANCTION OF LOANS

The Corporation sanctioned Rs. 64.57 crores to 75 units. The Corporation made efforts to provide loans to the good units and are established in the HUDA/HSIIDC approved industrial estates after obtaining sufficient security to avoid NPAs at the later stage. The loan amounting to Rs. 56.19 crore were sanctioned to 73 units in the Micro/Small Scale Sector and Rs. 8.38 crore to two medium scale units. Due to recession in the market, the Corporation was not able to achieve the targets in respect of sanction & disbursement inspite of a number of open house meets held at District level. Efforts are being made to improve the performance of the Corporation.



INDUSTRY WISE SANCTION

The important industrial sectors which have obtained term loan assistance from the Corporation during the year includes Rs. 16.98 crores to readymade garments, Rs. 6.98 crores to textiles/spinning/weaving & finishing, Rs. 6.99 crores to infrastructure, Rs. 3.80 crores to metal industries, Rs. 4.10 crores to footwear & leather industries, Rs. 1.28 crores to paper printing, Rs. 0.97 crores to electrical & electronics 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 :-

<u>Size of Assistance</u>	2008-2009 (Rs. in Lacs)	
	<u>No.</u>	<u>Amount</u>
Upto Rs. 01 Lakh	01	0.90
Rs. 01 Lakh to Rs. 05 Lakhs	07	16.76
Rs. 05 Lakhs to Rs. 10 Lakhs	02	16.65
Rs. 10 Lakhs to Rs. 20 Lakhs	07	110.20
Rs. 20 Lakhs to Rs. 50 Lakhs	30	1062.92
Rs. 50 Lakhs to Rs. 90 Lakhs	13	852.82
Rs. 90 Lakhs to Rs. 120 Lakhs	03	300.00
Above Rs.120 Lakhs	12	4097.00
Total	75	6457.25

DISBURSEMENT

The Corporation made total disbursement of Rs. 23.94 crores during the year under review against target of Rs. 55.00 crores. The Corporation could not achieve the targets of disbursement due to postponement of and slow implementation of projects by the borrowers due to recession in the market.

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. Efforts were made to make the units viable by making reschedulement 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. 73.73 crore against the target of Rs. 73.00 crore.

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 discussed hereunder :-

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 adequate Share Capital. The State Govt. considered our case and provided share capital contribution of Rs. 80.88 crores during the financial year 2008-09 as against Rs. 65.75 crore during the financial year 2007-08.



REFINANCE

During the year under review, the Corporation availed refinance to the tune of Rs. 21.97 crores from SIDBI and repaid Rs. 9.09 crore including soft loan of Rs. 0.13 crore to SIDBI.

BONDS

During the year, no SLR Bonds quota was allocated to the Corporation. Further, bonds worth Rs. 1.78 crore repaid on maturity 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 secured by immovable asset of the Corporation. A sum of Rs. 11.62 crore was repaid during the year and the account stands adjusted.

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. During the current financial year the entire principal outstanding balance of Rs. 22.00 crore has been repaid.

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).

AUDIT

The shareholders in its 41st Annual General Meeting held on 31.07.2008 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 2008-2009, 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 in due course.

BOARD OF DIRECTORS & EXECUTIVE COMMITTEE MEETINGS

During the year under review 5 meetings of Board of Directors and 5 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 Sh. N.K. maini, Sh. SVG Nandagopal & Sh. Vineet Virmani 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. Vivek Malhotra, and Sh. Shashi Kapur, 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 of the Corporation an IAS officer is a full time Director and is 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. Vivek Malhotra, Chairman of the committee, Sh. Gautam Nair & Sh. Shashi Kapur, 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
2005-2006	39th AGM	HFC, 17,18 & 19 Sector 17-A, Chandigarh	09.08.06	11.00 A.M.
2006-2007	40th AGM	--DO--	30.07.07	11.00 A.M.
2007-2008	41st AGM	--DO--	31.07.08	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 30.07.2009 at 11.00 A.M.
- Venue Head Office of the Corporation

9.2 Financial Calendar (Tentative)

Results for quarter ending June, 2009 will be published at the end July, 2009
 Results for quarter ending Sept, 2009 will be published at the end Oct, 2009
 Results for quarter ending Dec, 2009 will be published at the end Jan, 2010
 Results for quarter ending Mar, 2009 will be published at the end April, 2010

- 9.3 Book Closure date 27th to 30th July, 2009
- 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
(Quoted at BSE) Rs. 18.50 on 19.03.2009
Rs. 19.40 on 11.05.2009
- 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 by the Corporation or by M/s Beetal Financial & Computer Services (P) Ltd., New Delhi (Corporation's Share Transfer Agent (STA) are being processed by the STA. The STA after completion of formalities forward the share transfer register containing all the details of transferor/transferee to the Corporation for approval. The Share Transfer committee of the Corporation considered/approved the transfer(s) and forward its minutes to the STA for necessary action. Thereafter, 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, 2009

State Govt.	-	96.96%
SIDBI	-	2.33%
Banks/Insurance Co.	-	0.11%
Private Shareholders	-	0.60%