

**44th
ANNUAL REPORT
2010 - 2011**



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 DHILLON & ASSOCIATES,
Quite Office No. 4,
Sector 35-A,
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 , contact@hfcindia.org
Website : www.hfcindia.org

HARYANA FINANCIAL CORPORATION

BAYS Nos. 17,18 & 19, SECTOR 17-A, CHANDIGARH



NOTICE

In terms of Regulation 44 of General Regulations of the Corporation read with Section 36 of the State Financial Corporations Act, 1951, it is hereby notified that the 44th Annual General Meeting of Shareholders of the Corporation will be held on Thursday, the 19th January, 2012 at 11.30 AM (I.S.T.) at Head Office of the Corporation i.e Bays Nos. 17, 18 & 19, Sector 17-A, Opposite. L.I.C. Building, Chandigarh, to transact the following business:-

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2011 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 re-appoint M/s Dhillon & Associates, Chartered Accountants of 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 2011-2012 at a audit fee of Rs.40,000/-, plus applicable service tax and admissible TA/DA.
3. To appoint two Directors nominated in the prescribed manner by the shareholders referred to in clause 4(3)(c) of SFCs Act 1951 for a period of three years.
4. 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 for a period of three years.

NOTES:

- i) The Register of Members and Share Transfer Books of the Corporation will remain closed from Monday, 16th January 2012 to Thursday, 19th January 2012 (both days inclusive).
- ii) Nomination papers for election as Directors by the shareholders (category 'c' & 'd') in order to be effective must reach, complete in all respects (as per applicable format published in the annual report), at Head Office of the Corporation on a working day not less than 14 clear days before the date fixed for the meeting (i.e. by 4th January 2012).
- iii) 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 deposited (as per format published in the annual report) with the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.



- iv) The Institutional Shareholders i.e. SIDBI / Banks / Co-Op Banks / Insurance Companies and Bodies Corporate/ Companies etc. in order to attend & vote at the meeting submit authorization (as per format published in the annual report) along with certified copies of resolutions appointing duly authorized representative. Authorizations in order to be effective must be deposited with the Head Office of the Corporation not less than 48 hours before the time fixed for the meeting.
- v) The Shareholders of the Corporation in its 43rd Annual General Meeting held on 19.01.2011 appointed M/s Dhillon & Associates, Chartered Accountants, Chandigarh as Statutory Auditors of the Corporation for the financial year 2010-11 u/s 37 (1) of SFCs Act, 1951 and they have conducted the audit for the year. As per RBI guidelines, an auditor can be re-appointed upto four terms. The RBI vide their letter dated 8.6.2011 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.

By Order of the Board
for Haryana Financial Corporation


General Manager

Dated: 15.12.2011
Place: Chandigarh

HARYANA FINANCIAL CORPORATION, CHANDIGARH
DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31.03.2011



1.	Sh. Chhatar Singh, IAS Principal Secretary to Chief Minister, Haryana, Chandigarh.	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, 1951.
2.	Sh. Ajit M. Sharan, IAS Financial Commissioner & Principal Secretary to Government of Haryana, (Finance Department), Chandigarh.	Director	Co-opted by the Board in terms of Section 10(e)(iv) of SFCs Act, 1951.
3.	Sh. Y.S. Malik, IAS Financial Commissioner & Principal Secretary to Government of Haryana, Industries Deptt., Chandigarh.	Director	Nominated by the State Govt. in terms of Section 10(b) of SFCs Act, 1951.
4.	Sh. K.G. Alai Chief General Manager, Small Industries Development Bank of India (SIDBI), Videocon Tower, E-1, Jhandewalan Extn., New Delhi.	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act, 1951.
5.	Sh. S. Mukhopadhyay, General Manager, Small Industries Development Bank of India, SCO 145-146, Sector 17-C, Chandigarh.	Director	Nominated by SIDBI in terms of section 10(c) of SFCs Act, 1951.
6.	Sh. A.K. Loomba Dy. General Manager, Punjab National Bank, Sec 17-B, Chandigarh.	Director	Nominated by PNB in terms of section 10(d) of SFCs Act, 1951.
7.	Sh. Raghupal Singh Sr. Divisional Manager, LIC, Sector 17-B, Chandigarh.	Director	Nominated by LIC in terms of section 10(d) of SFCs Act, 1951.
8.	Sh. Shashi Kapur H.No. 225, Sector 14, Urban Estate, Gurgaon.	Director	Representing shareholders referred to in clause (d) of Sub-Section (3) of Section 4 of SFCs Act, 1951.
9.	Sh. Rajeev Arora, 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, 1951.



HARYANA FINANCIAL CORPORATION
CHANDIGARH
DIRECTOR'S REPORT

The Board of Directors of the Haryana Financial Corporation have great pleasure in presenting the 44th Annual Report together with the audited statements of accounts on the working of the Corporation for the year ended 31st March, 2011.

WORKING RESULTS

During the financial year 2010-11, the Corporation has achieved the following working results :

		(₹ in Crores)	
		2010- 11	2009- 10
A.	Income	20.54	19.57
B.	Interest & Other Financial Expenses	6.65	21.77
C.	Personnel Expenses	10.27	10.80
D.	Administrative Expenses	0.94	1.30
E.	Depreciation	0.67	0.76
F.	Profit before tax & provision for NPAs	2.01	(-)15.06
G.	Provision against NPAs, leased assets & investment written back	3.38	6.45
H.	Net Profit	5.39	(-) 8.61

OPERATIONAL HIGHLIGHTS

The Corporation has stopped sanctioning of the fresh loans. The Corporation is giving emphasis on recovery of the loans especially from NPAs/bad debts etc. The operational areas of the Corporation viz sanction, disbursement and recovery of its dues during the year are given as under.

PERFORMANCE FOR THE YEAR 2010-11

	(₹ in Crores)
Sanction.	1.16
Disbursement.	3.22
Recovery	62.03

SANCTION OF LOANS

The Corporation sanctioned ₹1.16 crores to 6 units established in the HUDA/HSIIDC approved industrial estates after obtaining sufficient security to avoid NPAs at the later stage. These loans were sanctioned to the Micro/Small Scale Sector.

INDUSTRY WISE SANCTION

The important industrial sectors which have obtained term loan assistance from the Corporation during the year includes ₹19.90 lacs for manufacturing of electric machinery, ₹55.50 lacs to stationary units, ₹10.00 lacs to transport 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>	2010-2011 (₹ in Lacs)	
	<u>No.</u>	<u>Amount</u>
Upto Rs. 10 Lakhs	02	9.55
₹ 10 Lakhs to ₹ 20 Lakhs	02	29.35
₹ 20 Lakhs to ₹ 50 Lakhs	01	21.93
₹ 50 Lakhs to ₹ 90 Lakhs	01	55.50
Total	06	116.33

DISBURSEMENT

The Corporation made total disbursement of ₹ 3.22 crore during the year. As already stated above, the Corporation has stopped sanctioning of fresh loans.

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 were done so as to maximize recovery. Efforts were made to make the units viable by making reschedulement of repayments. 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 ₹ 62.03 crore which includes pre-mature recovery of ₹ 19.35 crore.

RESOURCES MANAGEMENT

During the year under review, the Corporation was able to meet all its commitments of disbursements and had also repaid the amount due to the banks/others against bonds raised by the Corporation from time to time. During the year the Corporation is able to settle the entire outstanding refinance of ₹ 181.68 crore due to the SIDBI at ₹ 130.00 crore payable within a period of three years without any further interest. The detail of the settlement is given in the notes on accounts annexed with the balance sheet. However, brief details of major resources from which the funds were raised are discussed hereunder :-

SHARE CAPITAL FROM STATE GOVT.

The State Govt. provided share capital contribution of ₹ 50.00 lacs during the financial year 2010-11.

REFINANCE

During the year under review, the Corporation availed refinance to the tune of ₹ 0.75 crore from SIDBI and repaid ₹ 13.22 crore including soft loan of ₹ 0.03 crore to SIDBI.

BONDS

During the year, no SLR Bonds quota was allocated to the Corporation. Further, bonds worth ₹ 13.20 crore repaid on maturity during the year.



CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION & ANALYSIS

The Corporate Governance and Management discussion and Analysis report as per clause 49 of the listing agreement is annexed as Annexure with the Director's Report.

LISTING

The equity shares of the Corporation are listed at Bombay Stock Exchange Ltd. (BSE).

AUDIT

The shareholders in its 43rd Annual General Meeting held on 19.01.2011 appointed M/s Dhillon & Associates, Chartered Accountants, Chandigarh out of the panel of the RBI as Statutory Auditors for the financial year 2010-2011, 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

SIDBI, the shareholder has nominated Sh. K.G. Alai, CGM as director on the Board of the Corporation in place of Sh. M.K. Sharma, GM on 10.06.2010

Sh. Shashi Kapur, director representing shareholders u/s 4(3)(d) of SFCs Act, 1951 (others) ceased from the directorship w.e.f. 31.07.2010 on completion of his term. However, he has again been elected as director by the shareholders in the AGM held on 19.01.2011 for a period of three years.

The Board of Directors placed on record its appreciation for the keen interest taken by the outgoing directors in the deliberations of meetings of the Board during their association with the Board.

During the year under review 3 meetings of Board of Directors were held. No meeting of Executive Committee was held during the year.

ACKNOWLEDGEMENTS

The Board of Directors wish to place on record its gratitude to Govt. of Haryana, Department of Finance & Department of Industries for their continuous co-operation and support in all the operational matters.

The Board of Directors wish 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 thanks the Banks, Bond subscribers and shareholders for extending their support & co-operation.

The Board placed on record its appreciation for the services rendered by the staff of the Corporation at all levels during the year.

For and on behalf of Board of Directors

(RAJEEV ARORA)
MANAGING DIRECTOR

ANNEXURE TO DIRECTORS' REPORT



CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE GOVERNANCE REPORT

1. Brief Statement

The Haryana Financial Corporation has been established under the State Financial Corporations 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. The detail of the Directors have been given in the Annual Report. The Board of Directors consisted of nine Directors viz Chairperson, Managing Director, Director nominated by Govt. of Haryana, two representatives of Small Industries Development Bank of India (SIDBI), two Directors of Banks/insurance companies, one Director opted by Board of Directors and one Director from public shareholders. 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. The committee consists of Sh. Ajit M Sharan, IAS, Chairman of the Audit Committee, director nominated by SIDBI and Sh. Shashi Kapur, Members (as on 31.03.2011). All the above Directors are non executive & are independent Directors. During the year under reference the audit committee met four times.

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. The other Directors are being paid sitting fee and TA/DA as per entitlement.

5. Shareholders/Investors Grievances Committee.

The Corporation have since constituted Shareholders / Investors Grievances Committee. The committee consist of Sh. Mukhopadhyay, Chairman of the committee, Sh. Gautam Nair (upto 30 .03. 2011) and Sh. Shashi Kapur, Members of the committee. The Board of Directors in its meeting held on 31.03.2011 made the appointment of Sh. A. K. Loomba, Director as member in place of Sh. Gautam Nair. All the above directors are non executive and independent Directors.

6. General Body Meetings

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

YEAR	AGM	LOCATION	DATE	TIME
2007-2008	41st AGM	At H.O. of the Corporation bays No. 17,18 & 19, Sector 17 A, Chandigarh	31.07.2008	11.00 A.M.
2008-2009	42nd AGM	---DO---	30.07.2009	11.00 A.M.
2009-2010	43rd AGM	---DO---	19.01.2011	11.30 A.M.

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



7. Disclosures

a) Disclosures on materially significant related party transactions

The Corporation has not entered into any materially significant transactions during the year under review which would have potential conflict of interest between the Corporation and its promoters, Directors, Management and/or their relatives.

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

Nil

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.

The quarterly financial results are also updated on the Website of the Corporation (www.hfcindia.org).

The Annual Report containing interalia, Audited Annual Accounts, Consolidated Financial Statements, Director's Report and other important information are circulated to the members / shareholders. The Annual Reports are being despatched under UPC.

9. General Shareholders information

9.1 Annual General Meetings

- Date and Time 19.01.2012 at 11.30 A.M.
- Venue Head Office of the Corporation

9.2 Financial Calendar (Tentative)

(from 1st April to 31st March)

The tentative dates for publishing of quarterly results will be as under :

Results for quarter ending June, 2011 has been published on 31st August, 2011

Results for quarter ending Sept, 2011 has been published on 19th November, 2011

Results for quarter ending Dec, 2011 will be published by 15th February, 2012

Results for quarter ending Mar, 2012 will be published by 15th May, 2012

9.3 Book Closure date 16th to 19th January, 2012

9.4 Dividend payment date (Not applicable)
No dividend has been recommended by the Board

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

9.6 Stock code/Script Code 530927

9.7 Stock Market Data

The shares are thinly traded
The available quotes at BSE

₹ 22.40 on 10.05.2010
₹ 23.50 on July 2010
₹ 24.65 on 26.07.2011

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