

45th
ANNUAL REPORT
2011 - 2012



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 45 of General Regulations of the Corporation read with Section 36 of the State Financial Corporations Act, 1951, it is hereby notified that the 45th Annual General Meeting of Shareholders of the Corporation will be held on Wednesday, the 6th February, 2013 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, 2012 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 2012-2013 at a audit fee of Rs. 40,000/- plus applicable service tax and admissible TA/DA.
- 3 To appoint one Director nominated in the prescribed manner by the shareholders referred to in clause 4(3)(c) of SFCs Act 1951 (i.e. from Schedule Banks, Insurance Companies etc.) 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 (i.e. from Public Shareholders) for a period of three years.

NOTES:

- i) The Register of Members and Share Transfer Books of the Corporation will remain closed from Thursday, 31st January 2013 to Wednesday, 6th February 2013 (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 22nd January, 2013).
- 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 44th Annual General Meeting held on 19.01.2012 appointed M/s Dhillon & Associates, Chartered Accountants, Chandigarh as Statutory Auditors of the Corporation for the financial year 2011-12 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 05-07-2012 has confirmed their eligibility. The Audit firm has also confirmed their eligibility and 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


Executive Director

Dated: 2nd January, 2013
Place: Chandigarh



HARYANA FINANCIAL CORPORATION, CHANDIGARH

DIRECTORS ON THE BOARD OF THE CORPORATION AS ON 31.03.2012

- | | | | |
|----|--|----------|--|
| 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. | Ms Paramjot Kaur
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. | Ms Kalpana Gupta
Dy. General Manager,
Circle Head, Circle Office,
PNB, Sec 17-B, Chandigarh. | Director | Nominated by PNB in terms of section
10(d) to represent shareholders in clause
(c) of Sub-Section (3) of Section 4 of SFCs
Act, 1951. |
| 7. | Sh. Shashi Kapur
H.No. 225, Sector 14,
Urban Estate,
Gurgaon (Haryana). | Director | Representing shareholders referred to in
clause (d) of Sub-Section (3) of Section 4
of SFCs Act, 1951. |
| 8. | 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 45th Annual Report together with the audited statements of accounts on the working of the Corporation for the year ended 31st March, 2012.

WORKING RESULTS

During the financial year 2011-12, the Corporation has achieved the following working results :

(₹ in Crores)		
	2011-12	2010-11
A. Income from operations/other income	15.51	20.54
B. Interest & Other Financial Expenses	2.37	6.65
C. Personnel Expenses	11.59	10.27
D. Administrative Expenses	0.96	0.93
E. Depreciation	0.61	0.68
F. Profit/(Loss) before tax & provision for NPAs	(0.02)	2.01
G. Add Provision against NPAs, leased assets & investment written back	1.60	3.38
H. Profit/(Loss) before tax	1.58	5.39
I. Less provision for Deferred Tax	30.80	0.00
J. Net Profit/(Loss) after deferred tax assets	(29.22)	5.39

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 2011-12

(₹ in Crores)	
Sanction.	0.00
Disbursement.	2.37
Recovery	45.98

DISBURSEMENT

The Corporation made total disbursement of ₹ 2.37 crore during the year. As already stated above, the Corporation has stopped sanctioning of fresh loans.

RECOVERY OF DUES

The Corporation has given full emphasis for recovery of its loans. The Corporation has also introduced 'One Time Settlement Scheme' for the dues of in NPAs/Loss cases with a view to maximize the recovery and minimize the loan



cases. The borrowers under this category were persuaded to come forward under the above settlement policies to settle their cases. Follow-up in all other cases were made so as to avoid the standard units to fall under NPAs. Efforts were also made for out of court settlement in legal cases. Due to all these concerted efforts, the Corporation made the recovery of ₹ 45.98 crore which includes pre-mature recovery of ₹9.19 crore.

RESOURCES MANAGEMENT

During the year under review, the Corporation was able to meet all its commitments of disbursement and had also repaid the amount due to the banks/others against bonds raised by the Corporation from time to time.

SHARE CAPITAL FROM STATE GOVT.

The State Govt. originally made a provision of share capital of ₹ 1.00 lac in its Annual Plan for the year 2011-12 but due to requirement of refinance under settlement to Small Industries Development Bank of India (SIDBI), the State Govt. was requested to provide another ₹20.00 crore as share capital. The State Govt. agreed to the proposal of the Corporation and sanctioned additional share capital of ₹20.00 crore in its supplementary plan. So during the year the State Govt. has released share capital of ₹20.01 crore against which 2,00,10,000 shares of ₹10/- each were allotted to the State Govt..

REFINANCE

It is pertinent to add here that during the year 2010-11, the Corporation was able to settle the entire outstanding refinance of ₹181.19 crore due to the SIDBI at ₹130.00 crore payable within a period of three years without any further interest. An initial sum of ₹ 5.00 crore was paid against above settlement during the year 2010-11. During the year 2011-12, the Corporation has repaid ₹38.34 crore against above settlement. Accordingly, the Corporation has repaid 1/3rd of settled amount. The balance will also be paid within overall stipulated time.

BONDS

During the year, no SLR Bond quota was allocated to the Corporation. Further, bonds worth ₹ 19.35 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 Script No. 530927).

AUDIT

The shareholders in its 44th Annual General Meeting held on 19.01.2012 re-appointed M/s Dhillon & Associates, Chartered Accountants, Chandigarh as per panel of the RBI as Statutory Auditors for the financial year 2011-2012, (for 3rd term) 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

The list of the Board of Directors as on 31.03.2012 has separately been given in the Annual Report.

The Board of the Corporation in its 327th meeting held on 10-07-2012 has co-opted Sh. Sanjeev Kaushal, IAS, Principal Secretary to Govt. of Haryana, Finance Department in place of Sh. Ajit M Sharan, IAS.

SIDBI, the shareholder has nominated Ms Paramjot Kaur, GM, SIDBI, as director on the Board of the Corporation in place of Sh. S. Mukhopadhyay, GM on 20.06.2011 u/s 10(c) of the SFCs Act, 1951. Further, SIDBI has withdrawn the nomination of Sh. K.G. Alai, CGM as director on the Board of the Corporation w.e.f. 08.05.2012. No other officer has been appointed as director in place of Sh. K.G. Alai. Subsequently, the SIDBI has nominated Mr Manish Sinha, DGM, as director on the Board of the Corporation in place of Ms Paramjot Kaur, GM on 03.08.2012 u/s 10(c) of the SFCs Act, 1951.

On 10.05.2011 the Punjab National Bank (shareholder of the Corporation) has withdrawn their nomination of Sh. A.K. Loomba, DGM from the Board of the Corporation. Ms Kalpana Gupta, DGM of Punjab National Bank was nominated / elected as a director in the AGM held on 19.01.2012 for a period of three years under section 4(3)(c) of SFCs Act, 1951.

On 01.06.2011 the LIC of India (shareholder of the Corporation) has withdrawn the nomination of Sh. Raghupal Singh, Senior Divisional Manager under section 4(3)(c) of SFCs Act, 1951.

The State Govt. vide its orders dated 23-11-2012 appointed Sh. Tarun Bajaj, IAS, as Managing Director of the Corporation in place of Sh. Rajeev Arora, IAS.

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

MANAGING DIRECTOR

**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. The Corporation recognizes the importance of customers, shareholders and others. Efforts are being made to make the necessary compliances as per requirements of the Stock Exchanges (BSE) and Listing Agreement etc.

2. Board of Directors**2(a) Composition of Board**

The constitution of the Board of Directors of the Corporation as per section 10 of State Financial Corporations Act, 1951. The detail of the Directors have been given in the Annual Report separately. The Board of Directors consisted of eight Directors viz Chairperson, Managing Director, Director nominated by Government of Haryana, two representatives of Small Industries Development Bank of India (SIDBI), one Director 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 a Non-Executive Director.

2(b) Board Meeting

During the year 2011-12 three meetings of the Board of Directors were held.

2(c) Fidelity & Secrecy

As per requirements the certificate of fidelity and secrecy and other details were obtained from the incoming directors, placed before the Board and taken on record.

3. Audit Committee

The Audit Committee of the Corporation was re-constituted by the Board in its 323rd meeting held on 31.03.2011. The committee comprises of Sh. Ajit M Sharan, IAS, Chairman of the Audit Committee, director nominated by SIDBI and Sh. Shashi Kapur, Members (as on 31.03.2012). 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 Corporation has not constituted Remuneration Committee as the Non-Executive Directors are not entitled for any remuneration. The Managing Director of the Corporation is an IAS officer and is appointed by the State Government, Haryana and the remuneration payable is in accordance with the conditions prescribed by the State Government, Haryana. The other Directors are entitled to sitting fee ₹500/- for attending Board & other meetings besides TA/DA.

Sh. Shashi Kapur, Director hold 1000 shares of ₹ 10/- each of the Corporation. None of the other directors hold equity shares of the Corporation in their individual capacity.

5. Shareholders/Investors Grievances Committee.

The Corporation have since constituted Shareholders / Investors Grievances Committee. The committee consist of Director nominated by SIDBI & Sh. Shashi Kapur, Director elected by Public Shareholders of the Corporation. The Punjab National Bank has since withdrawn the nomination of Sh. A. K. Loomba, the third Director/Member of the committee and a member in his place is being appointed. 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 :

Bays Nos. 17,18 & 19,
Sector 17 A, Chandigarh

2008-2009	42nd AGM	---DO---	30.07.2009	11.00 A.M.
2009-2010	43rd AGM	---DO---	19.01.2011	11.30 A.M.
2010-2011	44th AGM	---DO---	19.01.2012	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, half yearly and annual financial results of the Corporation are published in the two newspapers - "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, Auditor'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 06-02-2013 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 are/will be as under :

Results for quarter ending June, 2012 published on 22nd September, 2012

Results for quarter ending Sept, 2012 published on 25th December, 2012

Results for quarter ending Dec, 2012 will be published by 15th February, 2013

Results for quarter ending Mar, 2013 will be published by 15th May, 2013

9.3 Book Closure date 31st January to 6th February, 2013

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

₹ 23.50 on July 2010

₹ 24.65 on 13.07.2011

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

9.10 Share Transfer System

The Share Transfer Committee of the Corporation was reconstituted on 26.03.2010. As on 31.03.2012 the Share Transfer Committee consisted of the following members :

1	Managing Director of the Corporation	Chairman
2	Sh. Ashwani Kumar Sharma Executive Director	Member
3	Sh. Ashok Pahwa General manager	Member
4	Sh. Arun Ajmani Addl. Gen. Manager	Member

M/s Beetal Financial & Computer Services (P) Ltd., New Delhi is the Registrar and Share Transfer Agent (RTA) of the Corporation and carries out the process of share transfer. The shares received by the Corporation for transfer are sent to RTA. The RTA after completion of formalities forward the share transfer register containing all the details of transferor/transferee to the Corporation for approval. A meeting of the Share Transfer/Transmission Committee is then held to approve the transfer(s) and forward its minutes to the RTA for necessary action. Thereafter, the Registrar make the endorsement on the share certificates and forward the share certificates duly transferred to transferee. The same procedure is adopted for the shares directly received by the RTA

9.11 Shareholding pattern as on as on 31st March, 2012

Category of shareholders as per section 4(3) of SFCs Act, 1951	No. of Shareholders	No. of shares held of ₹10/- each	%age of holding
a State Govt. (Haryana)	1	20,18,61,650	97.28%
b SIDBI	1	43,26,550	2.08%
c Banks, Financial Institutions, Insurance Co., Central/State Govt. Institutions/Non Govt. Institutions	9	2,01,700	0.10%
d Others (Shareholders other than those referred to in clause (a), (b), (c) above)	1920	11,18,200	0.54%
TOTAL	1931	20,75,08,100	100%

9.12 Dematerialisation of Shares

The shares of the Corporation are in physical forms. The Corporation applied to National Stock Depository Ltd. (NSDL) for dematerialisation of its shares but the same has not been dematerialized due to Corporation's accumulated losses/erosion of net worth.certain measures.

9.13 Outstanding GDR/Warrants and Convertible Bonds, Conversion date and likely impact on the equity.

- Nil -