

HARYANA FINANCIAL CORPORATION CHANDIGARH



Directors' Report

Your Directors present this 50th Annual Report together with the Audited statements of Accounts on the working of the Corporation for the year ended 31st March, 2017.

Financial Results

During the financial year 2016-17 the Corporation has achieved the following working results :

(Rs. in crore)			
		2016 - 17	2015 - 16
A.	Income		
	Income from operations/other income	6.68	6.46
B.	Expenditure		
	Interest & Other Financial Expenses	0.06	0.10
	Personnel Expenses	5.65	6.56
	Administrative Expenses	1.37	0.78
	Depreciation	0.35	0.39
	Bad Debts written off	0.02	0.04
	Total Expenditure	7.46	7.87
C.	Operating Profit / (Loss) (A - B)	(0.78)	(1.41)
D.	Less : Prior Period Expenditure & Adjustments	3.41	0.00
E.	Add : Provision against NPAs, Loan Assets & investments written back	0.35	4.96
	Net Profit / (Loss) (C - D + E)	(3.84)	3.55

Operational Highlights

The Corporation has already stopped sanction of loans w.e.f. May, 2010 as already stated in the previous Annual Reports. The details of the operations of the Corporation i.e recovery of its dues during the year are given as under :

(Rs. in crore)	
	Performance for the Year 2016-17
Sanction	0.00
Disbursement	0.00
Recovery	4.82



Recovery of Dues

The amount fallen due during the year was Rs. 190.12 lakh, out of which the Corporation recovered Rs. 189.27 lakh i.e. more than 99%. The Corporation also recovered Rs. 16.24 lakh from previous over due which is about 86% of the previous over due. As per requirements of the borrowers, the 'One Time Settlement Schemes' of the Corporation was also extended during the year to make recovery under the NPAs cases. The Corporation made efforts to contact the borrowers and pursued them to come forward under the above settlement schemes to settle their cases. During the year, the Corporation was successful to settle 22 cases. The Corporation also made the recovery out of u/s 29 cases, RC cases, suit filed cases and out of lease finance cases. Due to above measures, the Corporation made recovery of Rs. 4.82 Crore.

Resources Management

The Corporation has stopped fresh business/sanction since May 2010. No borrowings from the market/banks made during the year. As stated earlier, the Corporation has since repaid its borrowings and there is no outstanding loan against the Corporation. The Corporation utilized its limited resources for meeting the commitments/liabilities during the year. The details of the sources are discussed in the subsequent paras.

Share Capital from State Government

Due to present position of the Corporation, the State Govt. has not sanctioned/released any amount towards share capital during the year.

Corporate Governance/ Management Discussion & Analysis Report

The Corporate Governance and Management discussion and Analysis report as per SEBI (Listing Obligations & Disclosures Requirements) Regulations 2015 is annexed as Annexure with the Director's Report. A certificate from M/s Sharma Sarin & Associates, Company Secretaries on the above for the year ending on 31st March, 2017 is also annexed with this report.

Listing

The equity shares of the Corporation are listed at Bombay Stock Exchange Ltd. (BSE Script No. 530927). The Corporation has paid the Annual Listing fee of Rs. 2 lakh plus service tax to the Stock Exchange (BSE) within time.

Audit

The shareholders in its 49th Annual General Meeting held on 10.11.2016 as per provisions of section 37 of State Financial Corporations' Act, 1951 appointed M/s R.P. Mallick & Associates, Chartered Accountants, Chandigarh (on the panel of the RBI) as Statutory Auditors for the financial year 2016-2017 (for 4th term) who have conducted the audit of the Corporation.

As per guidelines, in the normal course, an audit firm may continue for a term of 4 years in one spell. The term of 4 years of existing statutory auditors M/s R.P. Mallick & Associates, Chartered Accountants, Chandigarh has been expired. Accordingly, the RBI vide their letter dated 07. 08. 2017 have forwarded a list containing the names of eligible audit firms based at Chandigarh and complying with the norms for appointment as Statutory Auditors in public sector banks for appointment as Statutory Auditors for the years 2017-18. The names of the 2-3 audit firms have been short listed and the item for appointment of statutory auditors for the year 2017-18 has been included in the notice for AGM.

Audit By Comptroller & Auditor General of India

The Comptroller & Auditor General of India (CAG) had conducted the audit of the accounts of the Corporation for Financial year 2015-16 and their report has been placed before State Legislature as per provisions of State Financial Corporations Act, 1951. The audit of the affairs of the Corporation for the year 2016-17 will be undertaken by the Comptroller & Auditor General of India under section 37(6) of the SFCs' Act, 1951 in due course.



Cash flow Statement

In conformity with the provisions of SEBI (LODR) Regulations, 2015, the Cash Flow Statement for the year ended on 31.03.2017 is annexed with the Annual Accounts.

Board of Directors

The list of the Board of Directors as on 31.03.2017 has separately been given in the Annual Report.

During the year under review, only 2 meetings of Board of Directors were held due to shifting Head Office. The detail of the number of meeting of the Board held during the FY 2016-17 forms part of the report on Corporate Governance in terms of regulation 34(3) of SEBI (LODR) Regulations, 2015.

Change of Head Office of the Corporation

The Head Office of the Corporation at Bays Nos. 17,18 & 19, Sector 17-A, Chandigarh was on rent. As per Supreme Court orders, the said premises was vacated. The Head Office of the Corporation has been shifted to the nearby place in the same sector i.e at 30 Bays Building, (Ground Floor), Sector 17-C, Chandigarh -160017. The intimation for the change of the office address has been filed with the Stock Exchange (BSE). The notice of change of the Head Office have also been given on the website of the Corporation and also published in the newspapers (Hindi & English) for the information of the shareholders/public.

Postion of Winding Up/Liquidation of Corporation

It was already informed to the shareholders in the previous Annual General Meetings that the Corporation has since stopped fresh business/ sanction of the loan since May, 2010. The shareholders were also informed through notice for the last year AGM that the Board of the Corporation (on the suggestion by the IFCI (Financial Consultant) and recommendation of the Committee of Directors) in its 340th meeting held on 30.12.2015 decided that the State Govt. be requested to take further action for winding up of the Corporation in view of the provisions of section 45 of the SFCs Act, 1951. The matter was also placed before the shareholders in the last AGM to consider and approve the recommendation of the Board for winding up /liquidation of Haryana Financial Corporation u/s 45 of the SFCs Act, 1951 to the State Govt.. As approved by the Board and the shareholders, the proposal for liquidation/winding up has already been forwarded to the State Govt.. The matter is under consideration with the State Govt. .

Acknowledgements

The Board of the Haryana Financial Corporation wishes to place on record its special thanks and gratitude to Govt. of Haryana, Department of Industries, Small Industrial Development Bank of India (SIDBI) for their continuous co-operation and support in all the operational/financial matters.

The Board wishes to take the opportunity to thank the Banks and shareholders for extending their support and cooperation.

The Board of Directors placed on record its appreciation of the contribution made by past Managing Director Sh. Sudhir Rajpal, IAS and Dr. Raja Sekhar Vundru, IAS.

The Board of Directors also placed on record its appreciation of the contribution made by the outgoing Directors.

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

For and on behalf of Board of Directors

Place : Chandigarh

Managing Director

**CORPORATE GOVERNANCE / MANAGEMENT DISCUSSION & ANALYSIS REPORT****Report on Corporate Governance****1. Brief Statement about Corporation/Applicability of Corporate Governance.**

Haryana Financial Corporation has been established under the State Financial Corporations' Act, 1951. The Companies Act, 1956 is not applicable to the Corporation. Accordingly as per regulation 15(2) (b) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the provisions of Corporate Governance as given in regulation 27 and other regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to the limited extent. As per requirements of the Stock Exchange (BSE) and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Corporation is making necessary compliances to the extent applicable /feasible in view of the adhering of the provisions of the State Financial Corporations Act, 1951 and rules made their under. The Corporation is attending to its customers/borrowers, shareholders and others to the best practices applicable /feasible under the given norms.

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

The Corporation has been established under the State Financial Corporations Act, 1951 and we are adhering to the provisions of the said Act. It is submitted that section 9 of the SFCs Act, 1951 prescribed the detail about **Management**- the general superintendence direction and management of affairs and business of the Financial Corporation shall vest in a Board of Directors which may exercise all powers and do all such acts and things, as may be exercised or done by the Financial Corporation. Section 10 of State Financial Corporations Act, 1951 prescribed the **composition of Board of Directors** of the Corporation. The details of the Directors of the Corporation as on 31.03.2017 have been given in the Annual Report separately. As per section 10 of the SFCs Act, 1951 there is a provision of nomination of two Directors by the Govt. of Haryana u/s 10(b), two Directors to be nominated by Small Industries Development Bank of India (SIDBI) u/s 10(c), two Directors to be nominated by Banks/insurance companies u/s 10(d), two Directors to be elected by the shareholders u/s 10(e) on the basis of percentage of Share Capital held by public shareholders and two Directors to be co-opted by Board of Directors u/s 10(e) (iv). Further, as per provision of section 15(1) of SFCs Act, 1951 one of the Director nominated by the State Government u/s 10(b) will be nominated as Chairman of the Corporation. Further as per provisions of section 17 read with section 10(f) of the SFCs Act, 1951, the State Govt. will appoint the Managing Director of the Corporation. As per the above provisions the State Govt. have nominated two Directors. SIDBI has nominated one Director against the provision of two Directors. The banks/insurance companies has nominated two Directors as per provision. There is one director (elected) by the shareholders u/s 10(e) against the provisions of two Directors. The Board has also co-opted two Directors as per provision in the SFCs Act, 1951. Except Managing Director all other Directors are non-executive. The Chairman is also a Non-Executive Director. There are two women directors (as on 31.03.2017) on the Board of the Corporation, the list of which has separately been published in the Annual Report.

2(b) Board Meeting

During the year 2016-17 two meetings of the Board of Directors were held. The dates on which the Board Meetings were held are as follows :

342nd Board Meeting dated 16.06.2016

343rd Board Meeting dated 17.10.2016

It is submitted that during the year, the Corporation has changed its Head Office as per Supreme Court orders, the detail of which has been given in the Director report and accordingly the Corporation could not held four Board meetings.



2(c) Fidelity & Secrecy

As per provisions of section 40 of SFCs Act, 1951, the fidelity and secrecy certificate and other details were obtained from the directors and the same have taken on record by the Board of the Corporation.

3 Audit Committee

The Audit Committee of the Corporation has been constituted/re-constituted by the Board of the Corporation. The committee comprised Smt. Kiran Lekha Walia, Finance Advisor, Chairman of the Audit Committee (as on 31.3.2017), Director nominated by SIDBI u/s 10(c), two Directors nominated/elected by banks/LIC (shareholders mentioned in clause(c) of sub-section (3) of section 4 read with section 10(d) of the State Financial Corporations Act, 1951. All the above Directors are non executive. The scope of the Audit Committee is as per the provisions of Regulation 18 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

3(A) Committee of Directors

The Committee of Directors of the Corporation was constituted/re-constituted by the Board of the Corporation. The committee comprised Managing Director, Chairman of the Committee, Director nominated by SIDBI u/s 10(c), two Directors nominated/elected by banks/LIC (shareholders mentioned in clause(c) of sub-section (3) of section 4 read with section 10(d) of the State Financial Corporations Act, 1951. All the above Directors (except Managing Director) are non-executive director. The Committee of Directors have been constituted u/c 41 of the Listing Agreement (now Regulation 33 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015) to approve/take on record the quarterly financial results of the Corporation.

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 terms and conditions prescribed by the State Govt., Haryana. The other Directors are entitled to sitting fee (Rs. 1000/- for attending Board & other meetings) besides TA/DA.

As regards remuneration/pay scales and other allowances to the employees, the same are being sanctioned by the Board generally on the basis of the State Govt., Haryana and as per provisions of the State Financial Corporations' Act, 1951

5. Shareholders/Investors Grievances Committee

The Shareholders/Investors Grievances Committee of the Corporation has been constituted/re-constituted by the Board of the Corporation. The committee comprised Director nominated by SIDBI u/s 10(c), Director nominated/elected by banks/LIC (shareholders mentioned in clause(c) of sub-section (3) of section 4, Director nominated/elected by the public shareholders mentioned in clause (d) of sub-section (3) of section 4 read with section 10(d) and 10(e) respectively of the State Financial Corporations Act, 1951. 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
2013-2014	47th AGM	At HO of the Corporation Bays Nos. 17,18 & 19, Sector 17 A, Chandigarh	17.11.2014	11.00A.M.
2014-2015	48th AGM	—DO—	20.10.2015	12.45 A.M.
2015-2016	49th AGM	—DO—	10.11.2016	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 two newspapers - "The Indian Express (English Edition) and Dainik Bhaskar (Hindi Edition), 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 is circulated to the members / shareholders. The Annual Reports are being despatched through post.

9. General Shareholders information

9.1 Annual General Meeting

- Date and Time

2nd July, 2018 at 1.00 P.M.

- Venue

HARCO Bank, Bank Square, Sector 17 B, Chandigarh.

9.2 Financial Calendar (Tentative)

(from 1st April to 31st March)

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

- 30th June, 2018	:	by 15th Aug, 2018
- 30th Sept, 2018	:	by 15th Nov, 2018
- 31st Dec, 2018	:	by 15th Feb, 2019
- 31st March, 2019	:	by 30th May, 2019

9.3 Book Closure date

25th June to 2nd July, 2018

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

Rs. 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., New Delhi has been appointed as the Registrar and Share Transfer Agent (RTA) of the Corporation for handling the share transfer work in physical form. All correspondence relating to share transfer, transmission can be made with them at the following address :

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, 29961282, Fax : 011-29961284 , E-mail : beetal@beetalfinancial.com

9.10 Share Transfer System

The Corporation has reconstituted Share Transfer Committee of the Corporation on 22.03.2013. The Share Transfer Committee consisted of the following members :

1.	Managing Director	Chairman
2.	Sh. Rakesh Khurana General Manager	Member
3.	Ms. Manisha Gupta Asstt. General Manager	Member
4.	Ms. Vandana Jindal Asstt. General Manager	Member

Shares received by the Corporation for transfer are sent to Registrar/Share Transfer Agent (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 31st March, 2017

Category of shareholders as per section 4(3) of SFCs Act, 1951	No. of Shareholders	No. of shares held of Rs. 10/- each	%age of holding
a State Govt. (Haryana)	1	20,20,11,650	97.28%
b SIDBI	1	43,26,550	02.08%
c Banks, Financial Institutions, Insurance Co., Central/State Govt. Institutions/Non Govt. Institutions	9	2,01,700	00.10%
d Others (Shareholders other than those referred to in clause (a), (b), (c) above)	1919	11,18,200	00.54%
TOTAL	1930	20,76,58,100	100%

9.12 Dematerialisation of Shares

The shares of the Corporation are in physical forms. An application was filed by the Corporation to National Stock Depository Limited (NSDL) for dematerialization of its shares of the Corporation. The NSDL has not acceded our request for dematerialization of the shares of the Corporation due to erosion of net worth of the Corporation on account of accumulated losses.

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

- Nil -

9.14 Plant Locations

The Corporation has its Head Office at Chandigarh and 3 Branch Offices in various districts of Haryana. There is no plant/manufacturing unit of the Corporation.

9.15 Address for Correspondence

The Shareholders may correspond with the Share Transfer Agent (the address of which has been given above, at S.No. 9.9) for their queries with regard to change of address, transfer of shares or at the following address:

The Compliance Officer

Haryana Financial Corporation

Secretarial Cell, 30 Bays Building , (Ground Floor),

Sector 17- C, Chandigarh-160017.

Ph. No. 0172-2714530, 2702755-57

Fax No. 0172-2702666

E-mail: investors@hfcindia.org

MANAGEMENT DISCUSSION & ANALYSIS REPORT

i) **Term Lending Institution**

You are aware that the Haryana Financial Corporation was established under the State Financial Corporation Act, 1951 as a State level development financial institution to provide financial assistance to the industrial units and for other activities as per section 25 of the SFCs Act, 1951 relating thereto to the small scale sectors set up in the State of Haryana in the year 1967.

ii) **Risks, Threats and Concerns**

Risk means uncertainties about events and their outcomes that could have a material impact on the performance and projections of the Corporation. The risk is inherent in every business. We have already informed to the shareholders in the previous report that with the reforms of the financial sector, the traditional area have been entered into by new entrants i.e. Banks and Non-Banking Financial Companies (NBFCs) who have access to cheap source of funds. Accordingly, the Corporation was facing stiff competition from NBFCs and Banks. In view of the above, the Corporation could not withstand the competition from these institutions due to operational limitations and accordingly stopped fresh business/ sanction of the loan since May, 2010. The shareholders were also informed through notice for the last year AGM that the Board of the Corporation (on the suggestion by the IFCI (Financial Consultant) and recommendation of the Committee of Directors) in its 340th meeting held on 30.12.2015 decided that the State Government be requested to take further action for winding up of the Corporation in view of the provisions of section 45 of the SFCs Act, 1951. The matter was also placed before the shareholders in the last AGM to consider and approve the recommendation of the Board for winding up / liquidation of Haryana Financial Corporation u/s 45 of the SFCs Act, 1951 to the State Govt.. As approved by the Board and the shareholders, the proposal for liquidation/winding up has already been forwarded to the State Govt.. The matter is under consideration with the State Govt. .

In addition to above, there are a number of suit filed cases (pension, arrears of 6th pay commission to staff and other staff/borrowers cases) pending in the courts which will also affect its profitability.

iii) **Corporation Performance**

You are aware that the Corporation main thrust is now recovery of its loans especially the bad debts. The One Time Settlement Scheme of the Corporation introduced in the previous years to recover loan from the NPAs cases has been extended from time to time and also during the year keeping in view of the requirements of the borrowers. During the year a sum of Rs.4.82 crore has been recovered.

iv) **Opportunities/Resources**

You are aware that the Corporation has since repaid entire outstanding refinance under settlement to SIDBI. As already informed the Corporation has also repaid all the bonds series due from time to time. So, there is no outstanding loans against the Corporation or say debt free Corporation. There is no interest liability in this regard.

The Corporation has a number of NPAs cases. There are opportunities that some of them may come under settlement scheme which tantamount to recovery for the Corporation.

v) **Internal Control System**

The Corporation has the Internal Audit Wing and Internal Control System to check financial and other records.

vi) **Human Resources**

With the retirement of the staff, the staff strength has been reduced from 66 as on 31.03.2016 to 54 as on 31.03.2017. The Corporation is making its efforts to reduce the administrative burden and at the same time motivate the existing staff and get support from them to discharge their responsibilities.

Certain statements made in the "Management Discussion and Analysis Report" might be considered forward looking. These statements are subject to certain risks and actual result may differ.

Partners

P D Sharma

M.A., LL.B. (A), FCS

G S Sarin

B.Com., LL.B., MFC, FCS



SHARMA SARIN & ASSOCIATES
COMPANY SECRETARIES

OFFICE

**SCO 186-188, First Floor, Adj. Ghazal Restaurant,
Sector 17-C, Chandigarh-160 017 (Entry Backside)**

Telefax : 0172-5012112, 5079239 Tel. 0172-5079110

e-mail : sharmasarinassociate@yahoo.com

sharmasarin@cslaws.com

Website : www.cslaws.com

CORPORATE GOVERNANCE HARYANA FINANCIAL CORPORATION

TO
THE MEMBERS OF
HARYANA FINANCIAL CORPORATION
SECTOR 17,
CHANDIGARH

Dated : 30.10.2017

In accordance with clause 49 of the Listing Agreement entered into by **HARYANA FINANCIAL CORPORATION** with Mumbai stock exchange, We have examined all relevant records of the Corporation as Stipulated in SEBI LODR, REGULATION 07 SUB REG 03 for the Financial year ended on 31st March, 2017.

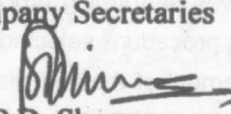
We have obtained all the information and explanations which to the best of our Knowledge and belief were necessary for the purposes of certification and have been provided with such records, documents, certifications etc as had been required by us.

We certify that on the basis of the records produced and the explanations given to us by the Corporation for the purpose of this certificate, has complied with all the requirements of the said SEBI LODR, REGULATION 07 SUB REG 03.

We state that no Investor Grievance was pending for the period exceeding one month against the Corporation as per the records maintained and produced before us by the Corporation.

We further state that such compliance is neither an assurance as to the future validity of the Corporation nor efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

From Sharma Sarin & Associates
Company Secretaries


P.D. Sharma

(Partner)

FCS NO. 2285

Place : Chandigarh

Date : 30.10.2017