

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 deffered 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 -



9.14 Plant Locations

The Corporation has its Head Office at Chandigarh and 4 Branch Offices in the 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

Bays Nos. 17, 18 & 19

Sector 17 A, Chandigarh-160017

Ph. : 0172-2714530, 2702755-57,

Fax : 0172-2702666

E-mail : investors@hfcindia.org

MANAGEMENT DISCUSSION & ANALYSIS REPORT

i) Term Lending Institution

The Haryana Financial Corporation was established under the State Financial Corporations Act, 1951 as a State level development financial institution to provide financial assistance to the industrial units in small scale sectors to set up in State of Haryana.

ii) Threats

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 is facing competition from them. The Corporation could not withstand the competition from these institutions due to operational limitations. Therefore, the performance of the Corporation was adversely affected in terms of volume, business and profitability.

iii) Corporation Performance

Due to the above, the Corporation has stopped fresh operation i.e. sanction of the loans. The Corporation is making disbursement in the partly disbursed cases. The emphasis is being made for recovery of its dues. The Corporation has disbursed ₹ 2.37 crore during the year. Further, a sum of ₹ 45.98 crore has been recovered during the year. Now new settlement schemes have been launched for the NPAs/Loss Portfolio to maximize recovery out of bad debts.

iv) Opportunities/Resources

During the year 2010-11, the Corporation took up the matter with the SIDBI for restructuring of its debts to reduce the interest cost of the funds. 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 3 years without any further interest. Thus, the Corporation has reduced its liability and recurring expenses towards interest.

During the year 2011-12, the Corporation has obtained an additional share capital of ₹ 20.01 crore from the State Government. With the above financial support and recovery, the Corporation has repaid first installment of ₹ 43.34 crore (₹ 5.00 crore during FY 2010-11 and ₹ 38.34 crore during FY 2011-12) to the SIDBI.

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 203 as on 31.03.2011 to 182 as on 31.03.2012. 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.

The Management and discussion report may contain certain statement that might be considered forward looking. These statements are subject to certain risks and actual results 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-160017 (Entry Backside)**

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

e-mail : sharmasarinassociate@yahoo.com

sharmasarin@cslaws.com

Website : www.cslaws.com

CERTIFICATE OF COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of HARYANA FINANCIAL CORPORATION

We have examined the compliance of conditions of Corporate Governance by **HARYANA FINANCIAL CORPORATION** for the year ended on 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement of the Corporation entered with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Corporation for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no Investor Grievance was pending for a 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 viability of the Corporation nor efficiency or effectiveness with which the Management has conducted the affairs of the Corporation.

For Sharma Sarin & Associates
Company Secretaries



P.D.Sharma

25/6/2012

Place : Chandigarh

Dated: 25-06-2012

DHILLON & ASSOCIATES

CHARTERED ACCOUNTANTS

QUIET OFFICE NO. 4, SECTOR 35-A, CHANDIGARH

TELEFAX : 0172-2609257, 2602157

E-MAIL : rkm731@yahoo.co.in

Service Tax No. AAAFD 6557F/ST001

AUDITOR'S REPORT

The Members

Haryana Financial Corporation

Chandigarh

In accordance with the provision of section 37(1) of State Financial Corporations Act 1951 (As amended by The State Financial Corporations (Amendment) Act, 2000), we have audited the attached Balance Sheet of Haryana Financial Corporation as at 31st March, 2012 and also the annexed Profit & Loss Account for the year ended on the date together with schedules forming integral part of the accounts. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- A) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- B) In our opinion, proper books of accounts have been kept by the Corporation so far as it appears from our examination of those records.
- C) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.
- D) In our opinion and to the best of our information and according to the explanations given to us the said accounts give a true and fair view :
- i) In case of Balance Sheet the State of Affairs of the Corporation as at 31st March, 2012 and
 - ii) In case of Profit & Loss Account of the Loss for the year ended on that date.

For Dhillon & Associates
Chartered Accounts

Place : CHANDIGARH

Dated : 29th August, 2012



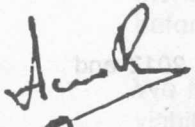
Charanjit Kumar
Charanjit kumar (F.C.A.)
Partner
Membership No. 099126
Firm Regd. No. 002783N

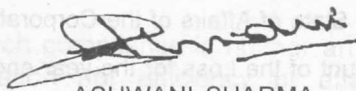


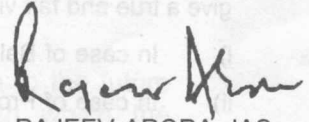
HARYANA FINANCIAL CORPORATION, CHANDIGARH
BALANCE SHEET AS ON 31ST MARCH, 2012

As at 31.03.2011 Amount (₹)	<u>CAPITAL & LIABILITIES</u>	SCHEDULE	As at 31.03.2011 Amount (₹)
1,874,981,000	SHARE CAPITAL	A	2,075,081,000
165,253,013	RESERVES AND SURPLUS	B	165,253,011
343,500,000	BONDS AND DEBENTURES	C	150,000,000
1,766,812,153	BORROWINGS	D	1,383,412,153
169,196,296	OTHER LIABILITIES	E	159,340,559
749,188,534	PROVISIONS	F	733,104,134
5,068,930,996	TOTAL		4,666,190,859
	<u>PROPERTY & ASSETS</u>		
196,323,372	CASH AND BANK BALANCES	G	151,953,915
1,499,144,180	INVESTMENTS	H	1,499,144,180
1,452,858,144	LOANS AND ADVANCES	I	1,129,910,779
145,396,655	FIXED ASSETS	J	127,061,058
126,864,433	OTHER ASSETS	K	125,547,057
308,000,000	DEFERRED TAX ASSET		0
1,340,344,212	PROFIT AND LOSS ACCOUNTS (ACCUMULATED LOSSES)	L	1,632,573,870
5,068,930,996	TOTAL		4,666,190,859
	<u>NOTES ON ACCOUNTS</u>	S	

Note : The schedules referred to above form integral part of the Balance Sheet


ASHOK PAHWA
GENERAL MANAGER

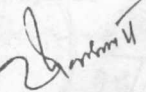

ASHWANI SHARMA
EXECUTIVE DIRECTOR


RAJEEV ARORA, IAS
MANAGING DIRECTOR

In terms of our separate report of even date attached
For DHILLON & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE : CHANDIGARH
DATED : 29th August 2012




Charanjit kumar (F.C.A.)
Partner
Membership No. 099126
Firm Regd. No. 002783N

HARYANA FINANCIAL CORPORATION, CHANDIGARH
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

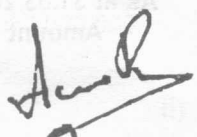


For the year ended
 31.03.2011
 Amount (₹)

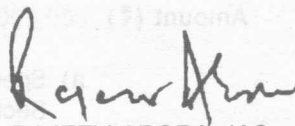
For the year ended
 31.03.2012
 Amount (₹)

	<u>INCOME</u>	<u>SCHEDULE</u>	
168,567,529	INCOME FROM OPERATIONS	M	98,417,442
36,844,662	OTHER INCOME	N	56,725,073
<u>205,412,191</u>	TOTAL INCOME		<u>155,142,515</u>
	 <u>EXPENDITURE</u>		
66,476,715	INTEREST EXPENSES	O	23,659,155
20,954	OTHER FINANCIAL EXPENSES	P	19,043
102,669,898	PERSONNEL EXPENSES	Q	115,971,317
16,129,817	ADMINISTRATIVE EXPENSES	R	15,744,058
<u>185,297,384</u>	TOTAL EXPENDITURE		<u>155,393,573</u>
<u>20,114,807</u>	OPERATING PROFIT / (LOSS)		<u>(251,058)</u>
33,754,813	ADD : PROVISION AGAINST NPAs WRITTEN BACK		16,021,400
<u>53,869,620</u>	PROFIT / (LOSS) BEFORE TAX		<u>15,770,342</u>
0	LESS : DEFERRED TAX WRITTEN OFF		308,000,000
3,830	ADD : REFUND OF FRINGE BENEFIT TAX (FY 2007-08)		0
<u>53,873,450</u>	NET PROFIT/(LOSS)		<u>(292,229,658)</u>
	NOTES ON ACCOUNTS	S	
0.29	EARNING PER SHARE		NIL

Note : The schedules referred to above form integral part of the Profit & Loss Account

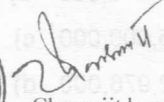

 ASHOK PAHWA
 GENERAL MANAGER


 ASHWANI SHARMA
 EXECUTIVE DIRECTOR


 RAJEEV ARORA, IAS
 MANAGING DIRECTOR

In terms of our separate report of even date attached
 For DHILLON & ASSOCIATES
 CHARTERED ACCOUNTANTS




 Charanjit kumar (F.C.A.)
 Partner
 Membership No. 099126
 Firm Regd. No. 002783N

PLACE : CHANDIGARH
 DATED : 29th August 2012



SCHEDULE 'A' - SHARE CAPITAL

As at 31.03.2011 Amount (₹)		As at 31.03.2012 Amount (₹)
	<u>AUTHORISED</u>	
<u>3,000,000,000</u>	300,000,000 Equity Shares of ₹10/- each	<u>3,000,000,000</u>
	<u>ISSUED AND SUBSCRIBED</u>	
1,909,055,000	a) 210,915,500 (Previous year 190,905,500) Equity Shares of ₹10/- each issued under section 4 of State Financial Corporations' Act, 1951	2,109,155,000
6,266,000	b) 626,600 Shares of ₹10/- each issued under section 4A(1) of the State Financial Corporations' Act, 1951 as special class of shares.	6,266,000
<u>1,915,321,000</u>		<u>2,115,421,000</u>
	<u>PAID-UP</u>	
1,915,321,000	Issued & Subscribed	2,115,421,000
40,340,000	Less : Amount Forfeited - 4,034,000 equity shares of ₹10/- each	40,340,000
<u>1,874,981,000</u>	Balance 207,508,100 (Previous year 187,498,100) shares of ₹10/- each	<u>2,075,081,000</u>
1,868,715,000	a) 206,881,500 (Previous year 186,871,500) Equity Shares of ₹10/- each under section 4 of State Financial Corporation' Act, 1951 fully paid up.	2,068,815,000
6,266,000	b) 626,600 Shares of ₹10/- each issued under section 4A(1) of the State Financial Corporations Act, 1951 as special class of shares.	6,266,000
<u>1,874,981,000</u>	TOTAL	<u>2,075,081,000</u>

SCHEDULE 'B' - RESERVES AND SURPLUS

As at 31.03.2011 Amount (₹)		As at 31.03.2012 Amount (₹)
178,567,013	a) Special Reserve for the purpose of Section 36(1)(viii) of the Income Tax Act. 1961	
166,800,000	Balance as per the last Balance Sheet	178,567,013
11,767,013	Less : Utilised towards provisioning for NPA upto Previous year	<u>166,300,000</u>
<u>105,510,000</u>		11,767,013
105,510,000	b) Share Premium	105,510,000
25,000,000	c) Special Reserve Fund (Section 35A of SFCs Act)	25,000,000
22,976,000	d) Shares forfeiture Reserve	22,976,000
<u>165,253,013</u>	TOTAL	<u>165,253,013</u>



SCHEDULE 'C' - BONDS AND DEBENTURES

As at 31.03.2011
Amount (₹)

As at 31.03.2012
Amount (₹)

BONDS - SLR (GUARANTEED BY THE STATE GOVERNMENT UNDER SECTION 7(1) OF STATE FINANCIAL CORPORATIONS' ACT, 1951)

16,000,000	11.50%	Bonds 2011 of ₹100 Each --40th Series	0
9,000,000	12.00%	Bonds 2012 of ₹100 Each --41st Series	0
50,000,000	09.90%	Bonds 2011 of ₹100 Each --61st Series	0
11,000,000	08.35%	Bonds 2011 of ₹100 Each --62nd Series	0
72,500,000	08.30%	Bonds 2012 of ₹100 Each --63rd Series	0
35,000,000	08.00%	Bonds 2012 of ₹100 Each --64th Series	0
67,500,000	07.92%	Bonds 2012 of ₹100 Each --65th Series	67,500,000
2,500,000	06.50%	Bonds 2013 of ₹100 Each --66th Series	2,500,000
80,000,000	06.75%	Bonds 2013 of ₹100 Each --67th Series	80,000,000
343,500,000		TOTAL	150,000,000

SCHEDULE 'D' - BORROWINGS

As at 31.03.2011
Amount (₹)

As at 31.03.2012
Amount (₹)

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

Holding for SIDBI in trust the securities offered by the Corporation's constituents against loans advanced to them by the Corporation :

	i)	Guaranteed by State Government	
1,050,000,000		- Refinance under LOC and TUF scheme	1,050,000,000
	ii)	Not Guaranteed by State Government	
716,812,153		- Refinance under LOC, TUF scheme and Seed Capital, MUN,NEF scheme	333,412,153
1,766,812,153		TOTAL	1,383,412,153