

HIMACHAL PRADESH FINANCIAL CORPORATION

CHAIRPERSON SPEECH

Speech Delivered by Shri Vineet Chawdhary, IAS, Chairman at the 51st Annual General Meeting of the Himachal Pradesh Financial Corporation held on 31.07.2018

Ladies and Gentlemen,

It gives me immense pleasure to present the 51st Annual Report and Accounts of Himachal Pradesh Financial Corporation for the year ended on 31st March, 2018.

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years. India's GDP is estimated to have increased 6.7 per cent in 2017-18 and is expected to grow by 7.4 per cent in 2018-19 against the backdrop of improved global demand, better monsoon prospects, credit uptick and continued reforms undertaken by the Government. Furthermore speeding up of the resolution process of distressed assets under the Insolvency and Bankruptcy Code is likely to improve confidence in the economy. Increasing oil prices though remains a major risk to the country's external balance.

Yours Corporation's performance:

Disbursements:

During 2017-18, the Himachal Pradesh Financial Corporation did not sanction or disburse any loan, therefore total loan disbursement figure till date remained static at previous year's level of Rs. 543.40 crore.

The State Financial Corporation's (SFCs) were initially set up to meet out the loan requirement of small and medium industrial units in the respective States as no other institutions were giving loans to them. The financial sector has undergone change during the liberalization period, as many institutions and banks have entered the term lending business, giving opportunity to the entrepreneurs to get loans at competitive rate of interest from any institution/ bank. This has adversely affected business as also viability of the SFCs. The Himachal Pradesh Financial Corporation has been incurring losses continuously since 1998-99 and now its lending activity has been put on hold.

Recoveries:

During 2017-18 the Himachal Pradesh Financial Corporation made total recoveries of Rs 3.30 crore against recoveries of Rs 4.66 crore during the previous year. At the close of the financial year, an amount of Rs 169.75 crore remained in default with the borrowers out of which default of Rs. 128.37 crore has been blocked in suit filed cases.

Resources:

During this year, the Corporation did not receive any equity support from the State Government and therefore, the paid up capital of the Corporation remained at the previous year's level of Rs. 28.57 crore. During 2017-18, the Corporation did not get any resource support from the Small Industries Development Bank of India (SIDBI) or the Kangra Central Cooperative Bank Ltd., (KCCB) but it made payments of Rs.1.00 crore to SIDBI and payments of Rs 0.30 crore to KCCB apart from redemption of bonds of Rs. 4.74 crore. Due to resource constraint, these bonds were redeemed after getting resource support from the State Government. The total borrowings of HPFC as on 31.03.2018 stood at Rs. 9.10 crore consisting of balance amount of OTS against refinance from SIDBI Rs. 0.10 crore and bonds Rs. 9.00 crore besides State Government loan given for repayment of government guaranteed bonds and interest thereon for Rs. 73.79 crore.

Profit & Loss:

The Corporation switched over to Mercantile System of Accounting with effect from 1st April, 2009. During 2017-18, the Corporation earned total income of Rs.2.58 crore, against income of Rs. 3.43 crore in the previous year, and incurred expenditure of Rs. 9.69 crore, against expenditure of Rs. 9.40 crore during the previous year, and thus incurred business loss of Rs 6.82 crore, against business loss of Rs 6.26 crore in the previous year. The business loss during this year has increased primarily due to provision of interest on loans amounting to Rs. 5.95 crore given by the State Government to repay the government guaranteed bonds. Otherwise the business loss of the Corporation without State Government interest is Rs. 0.87 crore and net profit is of Rs.0.46 crore after the provision of NPAs for Rs. 1.33 crore. This has increased total accumulative loss figure of the Corporation from Rs 161.06 crore on 31st March, 2017 to Rs 166.56 crore on 31st March, 2018.

Future Strategy:

The future strategy of the Corporation is to:

- Sharply focus on recoveries.
- Encourage settlements for reducing NPAs and improvement in liquidity.
- Augment recovery action u/s 32-G of SFCs Act, 1951 in all suit filed cases.
- The State Government has been requested to invoke section 45 of SFCs Act, 1951 which provides for the liquidation of Financial Corporation on the recommendations of Board of Directors.

Before I conclude, I express my deep appreciation for the valuable cooperation and support extended by my colleagues on the Board. I also thank the officers and staff of the Corporation for their sincere efforts.

I thank you all for attending this Annual General Meeting and hope the Corporation will continue receiving your cooperation in future also.
