

HIMACHAL PRADESH FINANCIAL CORPORATION

CHAIRPERSON SPEECH

Speech Delivered by Shri V.C. Pharka, IAS, Chairman at the 50th Annual General Meeting of the Himachal Pradesh Financial Corporation held on 31.07.2017

Ladies and Gentlemen,

It gives me immense pleasure to present the 50th Annual Report and Accounts of Himachal Pradesh Financial Corporation for the year ended on 31st March, 2017.

The Indian economy has witnessed several path breaking developments in the year 2016-17. From demonetization to the landmark GST Bill passage, the year has been several initiatives & policy reform measures. These changes are taking place in the country at a time when inflation is benign amidst a modest current account deficit, credible fiscal consolidation efforts, rising foreign exchange reserves, increase in foreign inflows and growth supportive policy measures and reform initiative. Despite the transient impact of demonetization on the growth front, India continues to be the fastest growing emerging market economies in the world. The growth prospects are expected to strengthen in the days ahead on account of several factors, including pickup in discretionary consumer spending after demonetization, the emphasis in the Union Budget on the rural economy and affordable housing etc.

Yours Corporation's performance:

Disbursements:

During 2016-17, 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 Corporations (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 2016-17 the Himachal Pradesh Financial Corporation made total recoveries of Rs 4.66 crore against recoveries of Rs 11.96 crore during the previous year. At the close of the financial year, an amount of Rs 161.29 crore remained in default with the borrowers out of which default of Rs. 123.20 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 2016-17, 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.1.15 crore to SIDBI and payments of Rs 0.85 crore to KCCB apart from redemption of bonds of Rs. 10.36 crore. Due to resource constraint, these bonds were redeemed after getting resource support from the State Government. The total borrowings of HPFC as on 31.03.2017 stood at Rs.15.14 crore consisting of balance amount of OTS against refinance from SIDBI Rs. 1.10 crore, bonds Rs.13.74 crore and loan from KCCB Rs. 0.30 crore besides State Government loan given for repayment of government guaranteed bonds and interest thereon for Rs.68.34 crore.

Profit & Loss:

The Corporation switched over to Mercantile System of Accounting with effect from 1st April, 2009. During 2016-17, the Corporation earned total income of Rs.3.44 crore, against income of Rs.4.63 crore in the previous year, and incurred expenditure of Rs.9.69 crore, against expenditure of Rs.15.38 crore during the previous year, and thus incurred business loss of Rs 6.26 crore, against business loss of Rs 10.75 crore in the previous year. The business loss during this has increased primarily due to provision of interest on loans amounting to Rs.5.25 crore given by the State Government to repay the government guaranteed bonds during. Otherwise the business loss of the Corporation without State Government interest is Rs. 1.01 crore and net loss is Rs.1.15 crore after the provision of NPAs for Rs. 0.14 crore. This has increased total accumulative loss figure of the Corporation from Rs 154.66 crore on 31st March, 2016 to Rs 161.06 crore on 31st March, 2017.

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.
