



# Gujarat State Financial Corporation

(Established under State Financial Corporations Act, 1951)

SECRETARIAL CELL

1st Floor, Udyog Bhavan, Sector-11, GH-4, Gandhinagar - 382 010

Phone No.: 23256766 Fax : 23252204

Website: [www.gsfc.gujarat.gov.in](http://www.gsfc.gujarat.gov.in) Email: [sec-cell-gsfc@gujarat.gov.in](mailto:sec-cell-gsfc@gujarat.gov.in)

GSFC/SEC.CELL/C-2/

August 24, 2020

The Corporate Relations Department  
BSE Ltd  
25th Floor, Phiroz Jeejeebhoy Towers  
Dalal Street, Fort, Mumbai 400 001

**Sub: 60<sup>th</sup> Annual General Meeting (AGM) – Annual Report**

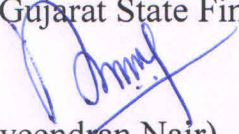
**Ref: Stock Code: 532160**

Dear Sirs,

Pursuant to our Notice dated 14<sup>th</sup> August, 2020 and in compliance with Regulation 34 (1) of SEBI (LODR) Regulations, 2015, please find attached herewith Annual Report 2019-20 of the Corporation containing Notice of 60<sup>th</sup> Annual General Meeting scheduled on Friday, the 25<sup>th</sup> September, 2020 at 01.00 p.m. through Video Conferencing/Other Audio Visual Means and other information. The Annual Report under reference is also available on GSFC website [www.gsfc.gujarat.gov.in](http://www.gsfc.gujarat.gov.in) under INVESTOR RELATIONS – ANNUAL REPORTS.

Thanking you,

Yours faithfully,  
for Gujarat State Financial Corporation,

  
(Raveendran Nair)  
Secretary (Board)

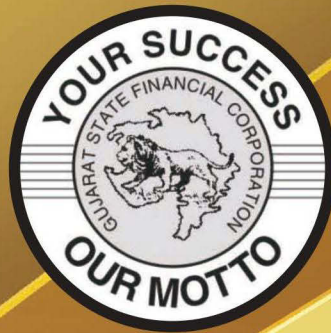
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# 60<sup>th</sup> Annual Report 2019-20

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**GUJARAT STATE  
FINANCIAL CORPORATION  
GANDHINAGAR**



# **Gujarat State Financial Corporation**

Secretarial Cell

Block No.10, Udyog Bhavan, Sector-11, GH-4,  
Gandhinagar - 382 010

## **BOARD OF DIRECTORS**

(As on 30<sup>th</sup> June, 2020)

### **CHAIRMAN**

**Shri Manoj Kumar Das, IAS**

### **DIRECTORS**

**Smt. Mamta Verma, IAS**

**Shri Ravindran A.L.**

**Shri Kamleshbhai K Patel**

**Shri K.R. Balasubramaniyan**

### **MANAGING DIRECTOR**

**Dr. Rahul B Gupta, IAS**

### **SECRETARY (BOARD)**

**Raveendran Nair**

### **AUDITORS**

**M/s. Priyam R Shah & Associates**

Chartered Accountants, Ahmedabad

### **HEAD OFFICE**

**Block No. 10, 1<sup>st</sup> Floor, Sector 11,  
Udyog Bhavan, Gandhinagar 382 010**

**REGIONAL OFFICES AT  
Gandhinagar, Surat & Rajkot**



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# Gujarat State Financial Corporation

(Established under State Financial Corporations Act. 1951)

SECRETARIAL CELL

Block No.10, Udyog Bhavan, Sector-11, GH-4, Gandhinagar – 382 010

Phone: 23256766, Fax 23252204 Email: sec-cell-gsfc@gujarat.gov.in

## NOTICE

Notice under Regulation No. 23 of General Regulations of the Corporation is hereby given that the 60<sup>th</sup> Annual General Meeting of the shareholders of the Corporation will be held on **Friday, the 25<sup>th</sup> September, 2020 at 1.00 p.m. (IST)** through Video Conferencing (“VC”)/Other Audio Visual Means (“OAVM”) to transact the following businesses:

The proceedings of the AGM shall be deemed to be conducted at the Head Office of the Corporation which shall be deemed venue of the AGM.

- (i) To receive, consider and adopt the audited financial statements of the Corporation for the Financial Year ended 31<sup>st</sup> March 2020 including the Balance Sheet as at March 31, 2020, Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- (ii) To re-appoint M/s. Priyam R Shah & Associates, Chartered Accountants, Ahmedabad, as Statutory Auditors of the Corporation to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting as recommended by RBI and to fix their remuneration.

By order of the Board of Directors,  
for Gujarat State Financial Corporation,

Place : Gandhinagar

Date : 10-08-2020

**(Raveendran Nair)**

Secretary (Board)

### NOTES:

1. Pursuant to Regulation 28-B of GSFC General Regulations, a shareholder shall be entitled for one vote for each share held by him/her for the whole period of six months prior to the date of 60<sup>th</sup> Annual General Meeting.
2. **No proxy facility:** Since this AGM is being held through VC/OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the e-AGM and hence the Proxy Form and Attendance Slip are not annexed to this notice.
3. Pursuant to Regulation 12 of the GSFC General Regulations, the Register of Members and Share Transfer Books will **remain closed from 23.09.2020 to 25.09.2020 (both days inclusive)**.
4. In accordance with Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by Securities and Exchange Board of India, owing to the difficulties involved in dispatching of physical copies of Annual Report, the same along with Notice of AGM are being sent through electronic mode to Members whose e-mail address are registered with the Corporation/R&TAgents/ Depository Participants.



**5. PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:**

- a) For Physical shareholders - Please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self -attested scanned copy of PAN card), AADHAR (self- attested scanned copy of Aadhar Card) by email to Corporation/RTA through email [sec-cell-gsfc@gujarat.gov.in](mailto:sec-cell-gsfc@gujarat.gov.in) or [mcsstaahmd@gmail.com](mailto:mcsstaahmd@gmail.com).
- b) For Demat shareholders – Please provide demat account details (CDSL – 16 digit beneficiary ID or NSDL 16 digit DP ID + CL ID), name, Client Master or copy of Consolidated Account Statement, PAN (self-attested scanned copy of PAN card) and Aadhar (self-attested scanned copy of Aadhar card) to the Corporation or RTA through above mentioned email id.

**6. Disclosure under Regulation 36 (5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

M/s. Priyam R Shah & Associates, Chartered Accountants, Ahmedabad, Firm Registration No. 118421W, were first appointed as statutory auditors of the Corporation by members in the 58<sup>th</sup> Annual General Meeting for FY 2018-19 held on 14<sup>th</sup> September, 2018 at a fee of Rs.81,000/- plus TA/HA plus taxes after complying with due procedures. Considering the fact that Reserve Bank of India (RBI) allows appointment of auditors for a spell of four years subject to appointment on yearly basis after obtaining eligibility and suitability from RBI, they were re-appointed for the second term for FY 2019-20 by members in the AGM held on 20<sup>th</sup> September, 2019 at the same fee and on existing terms and conditions. Their present term is expiring on conclusion of ensuing AGM. Having considered confirmation of eligibility and suitability by RBI vide letter dated 27<sup>th</sup> February, 2020 for re-appointment for third term for FY 2020-21 and on recommendation of Audit Committee as well as Board of Directors at their respective meetings held on 29<sup>th</sup> June, 2020, it is proposed to re-appoint the said firm as statutory auditors for the year 2020-21 at a basic audit fee of Rs.95,000/- plus taxes plus TA/HA and 12% of basic audit fee for obtaining certifications so as to continue as statutory auditors till the conclusion of 61<sup>st</sup> AGM.

7. Keeping in view the continuous restrictions due to outbreak of COVID-19 and pursuant to Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 issued by Securities and Exchange Board of India, the 60<sup>th</sup> AGM of the Corporation shall be held through VC/OAVM. The Central Depository Services (India) Ltd (CDSL) will be providing the facility for voting through remote e-voting, for participation in the AGM through VC/OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC/OAVM is explained in Note No. 10.

**8. PROCEDURE FOR REMOTE E-VOTING:-**

In compliance with Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Corporation is pleased to provide e-voting facility through M/s. Central Depository Services Ltd (CDSL) in respect of the business to be transacted at the 60<sup>th</sup> Annual General Meeting to be held on 25.09.2020. The e-voting facility is available at the link [www.evotingindia.com](http://www.evotingindia.com). Pursuant to Regulation 28-B of GSFC General Regulations, **the cut-off date for the purpose of voting is 27<sup>th</sup> March, 2020.**



In addition to remote e-voting, members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right in the meeting through venue e-voting. The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

- (i) The remote e- voting period begins on **Tuesday, the 22<sup>nd</sup> September, 2020 at 9.00 a.m.** and ends on **Thursday, the 24<sup>th</sup> September, 2020 at 5.00 p.m.** During this period, shareholders of the Corporation holding shares either in physical form or in dematerialized form, as on the cut-off date (i.e., **Friday, the 27<sup>th</sup> March, 2020**) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Corporation.

OR

Alternatively, if you are registered for CDSL’s EASI/EASIEST e-services, you can log in at <https://www.cdslindia.com> from Login – Myeasi using your login credentials. Once you successfully log-in to CDSL’s EASI/EASIEST e-services, click on e-Voting option and proceed directly to cast your vote electronically.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Forms</b>	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Corporation/Depository Participant are requested to use the Sequence Number in the PAN Field. <b>The Sequence Number is given in the email communication.</b></li> </ul>
Dividend Bank Details <b>OR</b> Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Corporation records in order to login. <ul style="list-style-type: none"> <li>• If both the details are not recorded with the depository or Corporation, please enter the member id/folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>

- (ix) After entering these details appropriately, click on “SUBMIT” tab.



- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN of GUJARAT STATE FINANCIAL CORPORATION to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on 'Forgot Password' & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL's mobile app - "**m-Voting**". The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.
- (xx) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves in the "Corporates" module.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details, a Compliance User should be created using the admin login and password. The Compliance User will be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts, they will be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.





- Alternatively Non individual shareholders are required to send the relevant Board Resolution/Authority letter etc., together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Corporation at [sec-cell-gsfc@gujarat.gov.in](mailto:sec-cell-gsfc@gujarat.gov.in) if they have voted from individual tab & not uploaded the same in the CDSL e-voting system for the scrutinizer to verify the same.

#### 9. INSTRUCTIONS FOR MEMBERS FOR E-VOTING DURING THE AGM:-

- (a) The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
- (b) Only those members, who are present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-voting, shall be eligible to vote through e-voting system during the AGM.
- (c) If any votes are cast by the members through the e-voting available during the AGM and if the same members have not participated in the meeting through VC/OAVM facility, then the votes cast by such members shall be considered invalid as the facility of e-voting during the meeting is available only to the members participating in the meeting.
- (d) Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

#### 10. PROCEDURE FOR JOINING THE AGM THROUGH VC/OAVM

- Shareholders will be provided with a facility to attend the AGM through VC/ OAVM through the CDSL e-Voting system. Shareholders may access the same at [www.evotingindia.com](http://www.evotingindia.com) under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of the Corporation will be displayed.
- Shareholders are encouraged to join the Meeting through Laptops/IPads for better experience.
- Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is, therefore, recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- Members attending the AGM through VC/OAVM shall be counted for the purpose of reckoning the quorum.
- Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered email address mentioning their name, Demat Account Number/Folio Number, mobile number along with their queries to [sec-cell-gsfc@gujarat.gov.in](mailto:sec-cell-gsfc@gujarat.gov.in) latest by **5 p.m. on Wednesday, the 16<sup>th</sup> September, 2020**. Questions/queries received by the Corporation till this time shall only be considered and responded during the AGM. The Corporation reserves the right to restrict the number of questions and number of speakers, as appropriate, for the smooth conduct of the AGM.
- Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.



If you have any queries or issues regarding attending AGM and e-Voting from the e-Voting System, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or Contact Mr. Nitin Kunder (022-23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, Central Depository Services (India) Ltd, A Wing, 25<sup>th</sup> Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call 022-23058542/43.

11. Mr. Kiran Kumar Patel, Practicing Company Secretary of M/s. K. K. Patel & Associates, Gandhinagar, Gujarat (Membership No. FCS 6384 & Certificate of Practice No. 6352) has been appointed as the Scrutinizer to scrutinize the remote e-voting and venue e-voting in the AGM in a fair and transparent manner.
12. The results of entire e-voting along with Scrutinizer’s Report shall be placed on the Corporation’s website and on the website of Central Depository Services (India) Ltd at [www.gsfc.gujarat.gov.in](http://www.gsfc.gujarat.gov.in) and [www.evotingindia.com](http://www.evotingindia.com) respectively within two days of passing resolutions at the AGM of the Corporation and be simultaneously communicated to BSE Ltd.
13. Resolutions assented to by the requisite majority of the members by means of venue voting and remote e-voting shall be deemed to have been duly passed at the AGM.



## GUJARAT STATE FINANCIAL CORPORATION DIRECTORS' REPORT

### To the Members,

The Board of Directors is pleased to place before you the 60<sup>th</sup> Annual Report of the Corporation along with the audited Balance Sheet as at March 31, 2020, the Statement of Profit and Loss and the Cash Flow Statement for the year ended March 31, 2020.

### 1. Economic Scenario:

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. Notwithstanding the fact that Indian economy is better positioned than other countries, slowdown was visible from the beginning of the year. As per the provisional estimates released by National Statistical Organization in the last week of May, 2020, Gross Domestic Product (GDP) in 2019-20 grew at 4.2 per cent, lower than the Government's projection of 5.0 per cent as against 6.1 per cent in 2018-19. Manufacturing expanded by a statistically insignificant 0.03 per cent in 2019-20 compared to 5.7 per cent in the previous fiscal year. Agriculture grew by 4 per cent, construction saw growth fall to 1.3 per cent from 6.1 per cent in the previous year. In the services sector, growth in the hotels and financial services sector fell to 2.6 per cent and 2.4 per cent respectively. Investment activity, seen from gross fixed capital formation, declined by 2.8 per cent in 2019-20 in contrast to a 9.8 per cent expansion in the previous fiscal year. The share of investment in GDP fell to 26.9 per cent. Government spending that kept the economy afloat grew by 11.8 per cent as against 10.1 per cent in the previous fiscal. WPI inflation declined to 1.7 per cent in 2019-20 from 4.3 per cent in 2018-19. The annual consumer price inflation increased to 4.8 per cent in 2019-20 from 3.4 per cent in 2018-19.

At the close of the fiscal year, the Indian economy has been struck by the coronavirus pandemic at a time when some green shoots of economic recovery were being forecasted after a prolonged bout of growth slowdown. Worries about growth slowdown have suddenly paled in the light of world's black swan event – the novel corona virus. The pandemic has eclipsed the anticipated mild economic recovery of the economy in fiscal 2021. To overcome the impact, Government of India announced a slew of stimulus measures including Atmanirbhar Bharat package touching every aspect of life. While the initial quarters of the fiscal year 2020-21 will be adversely affected by the current upheaval, growth revival can be expected the later part of the year.

### 2. Financial results:

During the year under reference, earned by the Corporation interest on Loans and Advances declined by 11.98 per cent and stood at Rs.2.13 crore compared to Rs.2.42 crore reported in the previous year. Interest on deposits for the year under reference registered a growth of 17.09 per cent to Rs.11.03 crore as against Rs.9.42 crore a year ago. Corporation wrote back provision against NPA of Rs.5.97 crore during the year as against Rs.9.20 crore wrote back in the previous year. Other income reduced to Rs.0.31 crore as against Rs.0.70 crore reported in the previous year. Total income of the Corporation for the year under reference stood at Rs.19.43 crore as against Rs.21.76 crore reported in the previous year.

Interest on borrowings for the year under reference stood at Rs.129.99 crore as against Rs.128.05 crore. Personnel expenses remained flat in the year and stood at Rs.2.99 crore compared to Rs. Rs.3.00 crore reported in the previous year. Other expenses decreased to Rs.2.73 crore compared to Rs.4.59 crore registered in the last year. Total expenditure for the year under report remained almost same at Rs.136.87 crore as against Rs.136.62 crore



reported a year ago. Loss for the year under reference increased marginally to Rs.117.44 crore from Rs.114.87 crore registered in the previous year. The accumulated loss of Rs.2,804.74 crore as on March 31, 2020 was carried forward to Balance Sheet. Keeping in view the loss incurred by the Corporation, no dividend is recommended for the year under reference.

### 3. Borrowings:

No external borrowing was resorted to by the Corporation during the year under reference. Borrowings from Government of Gujarat remained static at Rs.661.68 crore as at March 31, 2020.

### 4. Recovery:

Recovery of dues is the lifeline of the Corporation for the last eighteen years. With the passage of time, Corporation is left with sticky accounts, recovery from which is a herculean task. Corporation continued to operate liberal One Time Settlement Schemes for various loans to attract more loanees to come forward and settle the accounts. In spite of adversities, Corporation recovered an amount of Rs.7.95 crore during the year under reference as against Rs.11.71 crore recovered in the previous year.

### 5. Human Resource:

During the year under report, the staff strength of the Corporation reduced to 42 from 47 reported in the previous year due to retirement on superannuation. The break-up of staff strength is as under:-

Sr. No.	Category	Total
1	'A' Grade officers	3
2	'B' Grade employees	32
3	'C' Grade employees	7
<b>Total</b>		<b>42</b>

Of the total staff strength of 42, two employees are on loan service and 14 are on deputation with other Government departments. The effective staff strength of the Corporation, thus, stood at 26 spread over three Regional Offices and Head Office.

### 6. Corporate Governance:

The Corporation has put in place governance practices as prevalent in the industry. The Corporate Governance Report and the certificate regarding compliance of corporate governance are made part of the Annual Report.

Management Discussion and Analysis Report and declaration by Managing Director that the Board of Directors and Senior Management Personnel have complied with the Code of Conduct are also form part of Annual Report.

### 7. Auditors:

M/s. Priyam R. Shah & Associates, Chartered Accountants (FRN/Mem. No. 118421W), were re-appointed as the statutory auditors of the Corporation to hold office from the conclusion of 59<sup>th</sup> Annual General Meeting till the conclusion of next Annual General Meeting by the members at the AGM held on 20<sup>th</sup> September, 2019 in conformity with 37 (1) of SFCs Act, 1951. As per RBI stipulation, an auditor can continue for four years, the appointment being made on yearly basis, subject to confirmation of eligibility and suitability by RBI. M/s. Priyam R Shah & Associates, Chartered Accountants, are completing two years of statutory audit on conclusion of ensuing Annual General Meeting. They being eligible for re-appointment and Reserve Bank of India confirmed their eligibility and



suitability for re-appointment, proposal to re-appoint the said auditors for the third term as recommended by the Board is being placed before the shareholders at the ensuing Annual General Meeting for consideration.

The statutory auditors have submitted their Independent Auditor's Report on the financial statements of the Corporation for the year ended 31<sup>st</sup> March, 2020 which contains qualifications. The qualifications are technical in nature. Qualifications and Management's views on it are given in Addendum to this Report and also form part of the Annual Report.

## **8. Board of Directors:**

During the year under reference, Shri K.R. Balasubramanian, Senior Divisional Manager of Gandhinagar Regional Office of Life Insurance Corporation of India joined as Director on the Board of Directors of the Corporation with effect from 6<sup>th</sup> June, 2019. Small Industries Development Bank of India, vide letter dated 17<sup>th</sup> July, 2019, nominated Shri Ravindran A.L., Regional Manager of its Ahmedabad Regional Office as Director on the Board of the Corporation in place of Shri Pushkar Mishra. Government of Gujarat in General Administration Department, vide Notification dated 30<sup>th</sup> August, 2019, transferred Smt. Mamta Verma, IAS, Industries Commissioner and in her place, Dr. Rahul B Gupta, IAS has been posted. In compliance with GAD Order No. AIS/35-2009/3/G dated 29<sup>th</sup> April, 2017, Industries Commissioner, Gandhinagar should also function as Ex-Officio Managing Director of the Corporation. Accordingly, Smt. Mamta Verma, IAS was holding the ex-officio position of Managing Director of the Corporation from 16<sup>th</sup> May, 2017. She relinquished the ex-officio position on 3<sup>rd</sup> September, 2019 but continued as a Director on the Board of the Corporation pursuant to Notification dated 29<sup>th</sup> June, 2015 of Industries & Mines Department, Government of Gujarat. Dr. Rahul B Gupta, IAS took over the charge of Managing Director on 5<sup>th</sup> September, 2019. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief resume of Directors joined the Board of Directors is furnished in the Corporate Governance Report attached to this Report.

## **9. Directors' Responsibility Statement**

The Directors, based on the representations received from the Operations Departments and to the best of their knowledge and ability, hereby confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Corporation at the end of the financial year ended 31<sup>st</sup> March, 2020 and of the profit and loss of the Corporation for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the regulatory provisions for safeguarding the assets of the Corporation and for preventing and detecting fraud and other irregularities;
4. the annual accounts for the year ended 31<sup>st</sup> March 2020 has been prepared on a going concern basis,
5. they have laid down internal financial controls to be followed by the Corporation and that such internal financial controls are adequate and were operating effectively during the year ended 31<sup>st</sup> March, 2020; and
6. proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively during the year ended 31<sup>st</sup> March, 2020.



## 10. Acknowledgement:

The Board acknowledges with gratitude the valuable and timely advice, guidance and support received from Government of Gujarat and its various departments. The Board thanks Small Industries Development Bank of India, Mumbai and Ahmedabad offices for extending their support and cooperation. The Board places on record its appreciation to the commendable services rendered by Smt. Mamta Verma, IAS during the tenure of holding ex-officio position of Managing Director as also Member of Audit Committee and Stakeholders Relationship Committee and by Shri Pushkar Mishra during the tenure as Director as well as Chairman of Audit Committee and Member of Stakeholders Relationship Committee.

The Board also thanks the stakeholders, valued customers, well-wishers, SEBI and BSE Ltd, for their goodwill, patronage and support. Finally, the Board places on record its deep appreciation of the valuable contribution of the staff at all levels.

For and on behalf of the Board of Directors,

Place : Gandhinagar  
Date : 29-06-2020

**(Rahul Gupta, IAS)**  
Managing Director



## **ADDENDUM TO THE DIRECTORS' REPORT**

### **EXPLANATORY NOTES OF THE BOARD OF DIRECTORS ON QUALIFIED OPINION OF STATUTORY AUDITORS**

**Point No. (a)** The financial statements of the Corporation are prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded and defaulted in repayment obligations due to liquidity problems. This is not in accordance with Accounting Standard (AS)-1 "Disclosure of Accounting Policies". The effect of the same on the financial statements is not ascertainable.

Gujarat State Financial Corporation is established under State Financial Corporations Act, 1951 by Parliament as a special Act pursuant to Entry No. 43 of the Union List. Corporation is, thus, a body corporate and statutory Corporation. The main objective of establishment of the Corporation is aimed at achieving balanced regional growth by extending financial assistance to first generation entrepreneurs to establish micro and small scale units in the State and to generate employment. Corporation has so far suffered immense loss and its net worth is already eroded but it is continuing its recovery function. Corporation, being a statutory body, thus, prepares accounts on "going concern" assumptions and it is appropriate under the aforesaid circumstances.

**Point No. (b)** Dues payable to Government of Gujarat is subject to confirmation and adjustment, if any, required upon such confirmation. Pending such confirmation, the effect thereof on interest and penal interest is not ascertainable.

Government loans are granted as a result of provision in the Budgets of Government of Gujarat from time to time and subsequent issuance of Government Resolutions to overcome the financial strain of the Corporation. Since Corporation has discontinued its main activities and dependent on recovery of dues, Corporation is not in a position to service the liabilities towards Government of Gujarat. Under the circumstances, Government has been moved to make the loan advanced to the Corporation interest free from 1-7-2012 which is still under consideration. However, pending decision, interest and interest on delayed payment on Government loan is charged to Statement of Profit & Loss. The outstanding details are submitted to administrative department on quarterly basis. The loan accounts are also reconciled with other authorities from time to time. In view of this, separate confirmation is not obtained.

**Point No. (c)** Interest income on loans and advances on account of recovery from the parties are made on actual receipt basis since beginning of financial year 2018-19, as a result of change in accounting policy adopted by the Corporation. However, in respect of receipts prior to 1-4-2018, the then prevailing policy is kept intact. Therefore, the actual effect on write back of NPA, bad debt provision and any other items of financial results could not be ascertained.

Till 31<sup>st</sup> March, 2018, the practice followed was that installments received under OTS Scheme is apportioned in the order of penalty, interest and other charges and lastly in principal. OTS amount received from time to time of an account is initially apportioned in the manner stated above. After receiving settlement amount in full, interest and penalty already received is credited to principal and the same amount of shortfall in principal and other account is written off. Therefore, interest income reported in P&L A/c and write off may not be of that particular year. In short, interest income already recognized in a particular year is affected in the subsequent year(s). This policy has been discontinued with effect from 1<sup>st</sup> April, 2018 and now receipts are first accounted for Principal and capitalized expenses and thereafter in the order of interest, penalty and other charges resulting into interest income decreases and NPA provision written back increases. Once the OTS accounts prior to 1<sup>st</sup> April, 2018 are settled, no discrepancy will arise.



**Point Nos. (d)** The balances in parties' accounts in subsidiary ledgers with general ledgers of loan and advances are not reconciled. The effect thereof on loans and advances is not ascertainable.

Reconciliation of assets and liabilities is an on-going process and wherever lacuna is found out, necessary rectification is resorted to. Corporation has not adopted the practice of obtaining balance confirmation from loanees.

**Point No. (e)** Borrowings, Other Liabilities and Provisions, Other Assets and Loans and Advances are subject to confirmation and adjustment, if any and the effect of the same on the financial statements is not ascertainable.

Large number of accounts is too old and transaction details as well as address of the units are not available. It is, therefore, practically difficult to obtain balance confirmation from individual parties. Borrowings are from Government of Gujarat only which are supported by Government Resolutions and periodic confirmation is resorted to.





## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. (a) Industry structure and developments:**

Gujarat State Financial Corporation is established under the State Financial Corporations Act, 1951 as a State level development financial institution to provide medium and long term credit to small and medium scale industrial undertakings in the State of Gujarat and Union Territories of Dadra and Nagar Haveli. Corporation acted as conduit for channelizing funds to MSMEs at a time when banks and other financial institutions were hesitant to extend long term assistance to first generation entrepreneurs. With the introduction of reforms in financial sector, SFCs faced steep competition from Banks and NBFCs. Maximum loan assets of many SFCs turned into NPA. Corporation's inability to pool concessional and adequate resources also led to its sufferings. Corporation defaulted in repayment of debt and was compelled to withdraw from main activities of sanction and disbursement of loan since Financial Year 2001-02 and concentrating only on recovery of dues since then.

### **(b) Opportunities and Threats**

The micro, small and medium enterprises (MSMEs) has been accepted as the engine of economic growth and for promoting equitable development. MSMEs play a vital role in the overall growth of industrial economy of the country. The Rs.3.5 trillion Aatmanirbhar Bharat package for MSMEs announced in the wake of pandemic can potentially increase credit to MSMEs by 18-19 per cent given that banks and other financiers lent to this sector. Thus, there exists huge opportunity to the business. However, due to its discontinuation of main activities of sanction and disbursement for the last 18 years, Corporation is not in a position to avail of the opportunities. Corporation's role is restricted to recovery of dues for long.

### **(c) Segment-wise performance:**

Corporation is concentrating on recovery of dues only since last eighteen years. With the passage of time, almost all good loan assets have been disposed off or settled. Recovery from left out portfolio is a herculean task for the reasons that most of the accounts are not backed by assets or under dispute, units being not available or traceable etc. Even in the adverse circumstances, Corporation's recovery of dues stood at Rs.7.95 crore compared to Rs.11.71 crore reported in the previous year.

### **(d) Outlook:**

The economic disruption caused by the pandemic is of gigantic proportions. The loss to economy could be at least one quarter of GDS growth, given that the economy has been in a lockdown mode for the first two months of FY 2020-21. The dislocation of migrant labour and disruption in domestic transport has adversely impacted agriculture, business units, suppliers and exporters. Due to lockdown and consequent slow-down in the economy, Corporation's recovery performance will be affected adversely at least during the first half of FY 2020-21.

### **(e) Risks and concerns:**

Corporation is not free from various risks associated with the business. Over and above the normal risks, the recent COVID-19 pandemic added more concern to the economy and that will be reflected in the performance of the Corporation. Recovery from 100% Non-Performing Asset Portfolio requires strenuous efforts. The present situation emanated from the lockdown and its consequences augurs difficult for the Corporation to recover its dues.



**(f) Internal control system and their adequacy:**

Corporation’s internal control system provides for budgetary control and cost monitoring system. Corporation engaged services of an external firm of Chartered Accountants for internal audit so as to provide timely information to management. Regular management reviews are undertaken to ensure conformity with targets. The internal control system of the Corporation is adequate commensurate with the size of the Corporation.

**(g) Financial Performance:**

(Rs. in Crore)

Particulars	Year ended	
	31/03/2020	31/03/2019
Total Income	19.43	21.76
Interest expenses	129.99	128.05
Other expenses	6.51	8.16
Loss before depreciation & tax	117.08	114.46
Depreciation	0.36	0.41
Loss before tax	117.44	114.87
Loss after depreciation & tax	117.44	114.87
Balance carried over to balance sheet	(2,804.74)	(2,687.30)

**(h) Material developments in Human Resources:**

No material development in human resources took place during the year under reference. Corporation’s staff strength reduced to 42 as on 31<sup>st</sup> March, 2020 as against 49 reported in the previous year.

**(i) Details of significant changes in key financial ratios:**

The key financial ratios have not changed significantly ie., 25% or more as compared to immediately previous financial year.

**2. Disclosure of Accounting Treatment:**

There is no change in accounting policies during the year under report compared to previous year.

**3. Cautionary statement:**

Statements in the Management Discussion and Analysis describing the Corporation’s objective, projections, estimates and expectations may be “forward looking” within the meaning of applicable laws or regulations. Actual results may differ from those expressed or implied.



## REPORT ON CORPORATE GOVERNANCE

### 1: PHILOSOPHY ON CODE OF GOVERNANCE

Gujarat State Financial Corporation believes that sound ethical practices, transparency in operations and timely disclosures go a long way in enhancing long-term shareholder value while safeguarding the interest of all the stakeholders. The policies, procedures and practices that are installed in the organization ensure fairness, courtesy and dignity in all transactions within and outside the Corporation with customers, employees, investors, competitors, the Government and the society.

### 2: BOARD OF DIRECTORS

#### Composition of Board

GSFC is a body corporate established under State Financial Corporations Act, 1951. The composition of Board of Directors is governed by Section 10 read with Sections 15 and 17 of the said Act. As on March 31, 2020, the Board comprises of six Directors viz. Chairman nominated by Small Industries Development Bank of India, Managing Director appointed by Government of Gujarat, two Directors nominated by Govt. of Gujarat and one Director each nominated by Small Industries Development Bank of India and Life Insurance Corporation of India.

The composition and category of Directors, Directorships/Committee positions in other Companies during the year, number of meetings held and attended during the year are as follows:

Sr. No.	Name of Director & category	No. of meetings			No. of Directorship in other companies/body corporates	Number of memberships/posts of Chairperson in Audit/ Stakeholders Relationship Committee held in listed entities including this listed entity	
		Held during the tenure	Attended	Attendance at last AGM		Member	Chairman
1	Shri Manoj Kumar Das, IAS (From 31.5.2017) Nominated by SIDBI under Section 15 read with Section 10 (a) of SFCs Act, 1951 Non-executive – Nominee Director Chairperson	4	4	Not Present	11 <sup>#</sup>	1	Nil
2	Smt. Mamta Verma, IAS (as Director from 29.6.2015 onwards) (ex-officio Managing Director from 16.5.2017 to 3-09-2019) Nominated by Govt. of Gujarat under Section 10 (b) of SFCs Act, 1951 Non-Executive – Nominee Director	4	2	Not Present	10 <sup>\$</sup>	1	Nil



Sr. No.	Name of Director & category	No. of meetings			No. of Directorship in other companies/body corporates	Number of memberships/posts of Chairperson in Audit/Stakeholders Relationship Committee held in listed entities including this listed entity	
		Held during the tenure	Attended	Attendance at last AGM		Member	Chairman
3	Dr. Rahul B Gupta, IAS (From 05-09-2019 onwards) Ex-officio Managing Director pursuant to Order No. AIS/35.2009/3/G dated 29 <sup>th</sup> April, 2017 of GAD, Govt. of Gujarat Executive Director	2	2	Not Present	7	2	Nil
4	Shri Kamleshbhai K Patel (From 26.12.2018 onwards) Nominated by State Government u/s 10 (b) of SFCs Act, 1951 Non-Executive – Nominee Director	4	4	Present	3	1	1
5	Shri Pushkar Mishra* (From 8.5.2018 to 16.7.2019) Nominated by SIDBI u/s 10 (c) of SFCs Act, 1951 Non-Executive – Nominee Director	1	1	Not applicable	-	-	-
6	Shri Ravindran A.L. (From 17.7.2019 onwards) Nominated by SIDBI u/s 10 (c) of SFCs Act, 1951 Non-Executive – Nominee Director	3	2	Not Present	2	1	1
7	Shri KR Balasubramaniyan (From 6.6.2019 onwards) Nominated by LIC of India u/s 10 (d) of SFCs Act, 1951 Non-Executive – Nominee Director	3	3	Present	-	-	-

\* Ceased to be member of Board of Directors during the year.

# including Director on the Boards of other listed entities of Gujarat Alkalies & Chemicals Ltd and Gujarat Mineral Development Corporation Ltd as Non-Executive Non-Independent Director

§ including Non-Executive Non Independent Director on the Board of listed entity of Gujarat Narmada Valley Fertilizers & Chemicals Ltd.



### **Disclosure of relationships between directors inter-se**

None of the Directors are related to each other or to any Key Managerial Personnel of the Corporation.

**Number of shares and convertible instruments held by non-executive Directors :** Nil

### **Change in composition of Board of Directors :**

1. In exercise of the powers vested under Section 10 (d) of the State Financial Corporations Act, 1951, Life Insurance Corporation of India, Mumbai, vide letter dated 6<sup>th</sup> June, 2019 nominated Shri K.R. Balasubramaniyan, Sr. Divisional Manager, LIC of India, Gandhinagar Divisional Office as a Director on the Board of the Corporation. Brief resume of Shri K.R. Balasubramaniyan, Director, is as under:

Shri KR Balasubramanian, aged 58 years, holds post graduate degree in Mathematics. He started his career as a direct recruit officer of 18<sup>th</sup> batch with Life Insurance Corporation of India in 1990. He possesses of 29 years' experience in various departments of LIC of India in different capacities. Prior to joining as Senior Divisional Manager at Gandhinagar Divisional Office of LIC of India, he was holding the same position at LIC, Jabalpur. He was also Regional Manager (Bankassurance) at Bhopal. He is not holding Directorship in any other company or organization or any shares of the Corporation in his individual capacity. He is not related to any Director or Key Managerial Personnel of the Corporation.

2. Small Industries Development Bank of India, Mumbai, vide letter dated July 17, 2019, nominated Shri Ravindran A. Lakshmanan, General Manager, SIDBI, Ahmedabad Regional Office as Director on the Board of the Corporation vice Shri Pushkar Mishra. Accordingly, Shri Ravindran A.L., became Director on the Board of the Corporation w.e.f. July 17, 2019. Brief resume of the said Director is as under:

Shri Ravindran A.L., aged 51 years, is holding degree of Bachelors in Commerce and Law from University of Mumbai. He also holds Post Graduate Diploma in Management & Financial Management and CAIIB. He has around two decades of experience in development banking. During the period, he worked in various capacities from Assistant Manager to General Manager in Small Industries Development Bank of India. His areas of expertise include Branch Administration, Branch Operations, Project Finance, Branch Accounts, Bills Finance, Forex, Business Development etc. Three weeks exposure visit on Micro Finance organized by Boulder Institute of Micro Finance at ITC-ILO Turin, Italy, exposure visit on Micro Finance to Singapore and Indonesia are his achievements during the tenure. On his joining the Board of Directors of the Corporation, he also holds the Chairmanship of its Audit Committee and a member of Stakeholders Relationship Committee. He is a nominee director on the Boards of Gujarat Industrial & Technical Consultancy Organization Ltd (GITCO) and Fincare Small Finance Bank Ltd. He is also Chairman of Customer Service Committee, member of Risk Management Committee and Corporate Social Responsibility Committee of Fincare Small Finance Bank Ltd. He is not holding any shares of the Corporation in his individual capacity and is not related to any Director or Key Managerial Personnel of the Corporation.

3. Section 10 (f) read with Section 17 (1) of the State Financial Corporations Act, 1951 empowers State Government to appoint Managing Director in consultation with Small Industries Bank. State Government in General Administration Department, vide Order No. AIS/35.2009/3/G dated 29<sup>th</sup> April, 2017, ordered that Industries Commissioner, Gandhinagar should also function as Ex-Officio Managing Director of Gujarat State Financial Corporation. Accordingly, Smt. Mamta Verma, IAS, Industries Commissioner and Director on the Board of the Corporation was officiating as Managing Director from 16<sup>th</sup> May, 2017 till 3<sup>rd</sup> September, 2019. On his assuming charges as Industries



Commissioner on 5<sup>th</sup> September, 2019, Dr. Rahul B Gupta, IAS is officiating as Managing Director of the Corporation since then. Brief resume of Dr. Rahul B Gupta, IAS, Managing Director, is as under:-

Dr. Rahul B Gupta, IAS, aged 40 years, Industries Commissioner, Government of Gujarat, joined the Board of Directors of the Corporation with effect from 5<sup>th</sup> September, 2019 as ex-officio Managing Director pursuant to Order No. AIS/35.2009/3/G dated 29<sup>th</sup> April, 2017 read with Notification No. AIS/35.2019/30/G dated 30<sup>th</sup> August, 2019 of General Administration Department of Government of Gujarat. He is a Commerce graduate, a member of The Institute of Chartered Accountants of India and also holds Ph.D. in Human Development Index. He joined Indian Administrative Service on 1<sup>st</sup> September, 2004 in Gujarat cadre. He worked in various capacities as Assistant Collector, Dahod, DDO, Anand and Ahmedabad, Collector, Anand, Narmada, Junagadh and Rajkot and Joint Secretary (Law & Order), Home Department. Prior to his joining as Industries Commissioner, Government of Gujarat, he was the Collector and District Magistrate of Rajkot. He is a Member of Audit Committee and Stakeholders Relationship Committee of the Corporation. He is not holding any shares of the Corporation in his individual capacity and is not related to any Director or Key Managerial Personnel of the Corporation.

### **Board Meetings**

During the financial year ended 31<sup>st</sup> March, 2020, four Board meetings were held on 20<sup>th</sup> May, 2019, 9<sup>th</sup> August, 2019, 9<sup>th</sup> November, 2019 and 10<sup>th</sup> February, 2020.

### **3. AUDIT COMMITTEE**

#### **a) Terms of reference:**

The terms of reference of the Audit Committee of the Corporation is in line with Regulation 18 read with Part C of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which inter alia include (i) review of quarterly and annual financial statements with the management before submission to the Board for approval, (ii) recommendation for appointment, remuneration and terms and conditions of Internal as well as Statutory Auditors etc.

#### **b) Composition, name of members and Chairperson:**

Audit Committee of the Corporation consists of three Directors viz. Director representing Small Industries Development Bank of India as Chairman, Director representing Finance Department of Government of Gujarat and Managing Director as Members. Secretary (Board) is the Secretary to the Committee. The names of members and Chairperson as well as the meetings held and attended during the year under reference are as under:

Name	Designation	<u>No. of meetings</u>	
		Held	Attended
Shri Pushkar Mishra <sup>*1</sup>	Chairman	1	1
Shri Ravindran A.L.	Chairman	3	2
Shri Kamleshbhai K Patel	Member	4	4
Smt. Mamta Verma, IAS <sup>*2</sup>	Member	2	2
Dr. Rahul B Gupta, IAS	Member	2	2

<sup>\*1</sup> Consequent to nomination of Shri Ravindran A.L., General Manager, SIDBI, Ahmedabad Regional Office, as Director on the Board of the Corporation with effect from 17.7.2019, Shri Pushkar Mishra ceased to be Director from that date resulting into his relinquishing the position of Chairman of Audit Committee. Shri Ravindran AL, Director, took over as Chairman of Audit Committee with effect from 17.7.2019.



\*2 Pursuant to transfer of Smt Mamta Verma, IAS and her relinquishing the position of Industries Commissioner and ex-officio position of Managing Director of the Corporation, she ceased to be a Member of the Audit Committee with effect from 4.9.2019. Dr. Rahul B Gupta, IAS, Managing Director, became Member of Audit Committee with effect from 5.9.2019.

c) **Number of meetings and dates on which held:**

During the year under reference, Audit Committee met four times on 20<sup>th</sup> May, 2019, 9<sup>th</sup> August, 2019, 9<sup>th</sup> November, 2019 and 10<sup>th</sup> February, 2020.

4. **NOMINATION AND REMUNERATION COMMITTEE:**

Remuneration of Directors is governed by Section 16 of the SFCs Act, 1951 read with Regulation 40 of the GSFC General Regulations according to which Directors other than the Managing Director and not being servants of the Government shall be paid such fees as may be prescribed for attending meetings of the Board and if they are members of the Executive Committee or any other committee appointed by the Financial Corporation for attending such committee meetings. At present Director representing LIC of India on the Board of the Corporation is entitled to receive sitting fee of Rs.1,000/- per sitting. Salary and allowances of employees are governed by Section 23 of the SFCs Act, 1951 and linked to such benefits as are available to the employees of the State Government and adopted after consultation with Small Industries Bank and with previous sanction of State Government. Directors are nominated in accordance with Section 10 of the SFCs Act, 1951. In view of this, Corporation has not constituted Nomination and Remuneration Committee.

5. **Remuneration of Directors:**

- a) None of the Directors have any pecuniary relationship or transactions with the Corporation. During the year under reference, Director representing Life Insurance Corporation of India was paid sitting fee of Rs.3,000/- for attending Board meetings.
- b) SFCs Act, 1951 or the GSFC General Regulations does not provide for granting remuneration to non-executive directors and hence no criteria is fixed for remuneration to Directors.

6. **STAKEHOLDERS' RELATIONSHIP COMMITTEE:**

(a) **Name of non-executive director heading the Committee:**

Stakeholders' Relationship Committee has been constituted to monitor and review investors' grievances. The Committee was last reconstituted vide Board decision dated 12<sup>th</sup> February, 2019. It now consists of three Directors viz. Director representing Finance Department of Government of Gujarat as Chairman, Director representing SIDBI and Managing Director as Members. The Committee consisted of following Directors during the year under reference:-

Sr. No.	Name of Director	Designation
1	Shri Kamleshbhai K Patel (Director representing Finance Department)	Chairman
2	Shri Pushkar Mishra (Ceased to be member with effect from 17 <sup>th</sup> July, 2019) Shri Ravindran AL (Member with effect from 17 <sup>th</sup> July, 2019) (Director representing SIDBI)	Member
3	Smt. Mamta Verma, IAS (Ex-officio Managing Director and member till 3.9.2019) Dr. Rahul B Gupta, IAS Managing Director and member w.e.f. 5.9.2019	Member

Committee met twice during the year under reference on 20<sup>th</sup> May, 2019 and 10<sup>th</sup> February, 2020.



Board of Directors at its meeting held on 12<sup>th</sup> February, 2019 delegated the powers to deal with all functions related to securities to a sub-Committee consisting of Secretary (Board) as Chairman and Executive Officer (Accounts) as member and directed that the action taken shall be reported to Board of Directors in each meeting and place the matter before Stakeholders Relationship Committee from time to time. The sub-Committee met 21 times during the year under reference and in aggregate approved dematerialization of 27,200 shares, transfer of 1,200 shares and requests for dematerialization of 1,100 shares were rejected for various reasons.

- b) Name and designation of Compliance Officer : Raveendran Nair, Secretary (Board)
- c) Number of shareholders' complaints received so far : 1
- d) Number not solved to the satisfaction of shareholders : 0
- e) Number of pending complaints : Nil

#### **7. GENERAL BODY MEETING**

- a) Location and time where last three AGMs were held:-

Year	Date	Time	Location of holding AGM
2016-17	19-09-2017	3.00 PM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1 <sup>st</sup> Floor, Sector-11, Gandhinagar
2017-18	14-09-2018	11.30 AM	-do-
2018-19	20-09-2019	11.30 AM	-do-

- b) No special resolution was passed during the previous three AGMs.
- c) No special resolution was passed through postal ballot during the last year.
- d) No special resolution is proposed to be conducted through postal ballot during the year under reference.

#### **8. MEANS OF COMMUNICATION**

- a) Quarterly and annual results are published on or before the dates stipulated under SEBI (LODR) Regulations, 2015.
- b) Quarterly/half yearly and yearly results are normally published in "Financial Express", both English and Gujarati editions of Ahmedabad.
- c) The results are uploaded on the website of the Corporation viz. [www.gsfc.gujarat.gov.in](http://www.gsfc.gujarat.gov.in) under INVESTOR RELATIONS – FINANCIAL RESULTS.
- d) Whether it also displays official news releases - Not applicable
- e) During the year under reference, Corporation has made no presentation to institutional investors or to analysts.

#### **9. GENERAL SHAREHOLDER INFORMATION**

- a) Date, time & venue of the Annual General Meeting: : September, 2020 at \_\_\_\_\_ in the Office of the Corporation at Head Office, at Udyog Bhavan, Block No. 10, 1<sup>st</sup> Floor, Sector 11, Gandhinagar - 382010
- b) Financial year : 1<sup>st</sup> April to 31<sup>st</sup> March
- c) Dividend payment date : Not applicable
- d) Listing on Stock-Exchanges : BSE Ltd, Phiroz Jeejeebhoy Towers, Dalal Street, Fort Mumbai 400 001  
Listing fee for FY 2020-21 remitted to BSE Ltd
- e) Stock Code : 532160
- f) Market price data





Monthly high and low quotation of shares traded on BSE during Financial Year 2019-20 were as under:

Month	High (Rs.)	Low (Rs.)	Volume
April, 2019	1.38	1.07	71,231
May, 2019	1.24	1.03	9,051
June, 2019	1.24	1.18	11,000
July, 2019	1.23	1.10	9,448
August, 2019	1.24	1.00	19,572
September, 2019	1.05	0.74	1,13,114
October, 2019	0.74	0.57	40,020
November, 2019	0.83	0.69	20,769
December, 2019	0.86	0.73	1,73,795
January 2020	0.82	0.62	75,633
February 2020	0.81	0.65	14,925
March, 2020	1.39	0.85	40,753

- g) Performance comparison in comparison to BSE Sensex is not attempted.  
h) During the year, the securities of the Corporation are not suspended from trading.

i) **Registrar & Transfer Agents**

M/s. MCS Share Transfer Agent Ltd.  
201, Satdal Complex, 2<sup>nd</sup> Floor, Opp. Bata Show Room, Ashram Road,  
Ahmedabad-380 009.  
Phone (079) 26580461/2/3 Fax (079) 26581296  
E-mail : [mcsstaahmd@gmail.com](mailto:mcsstaahmd@gmail.com)

j) **Share Transfer System**

All shareholders/investors matters like transfer, transmission, dematerialization, investor grievances etc., are dealt with sub-Committee of Stakeholders Relationship Committee constituted by the Board of Directors. The Committee met 22 times during the year under reference. Corporation obtains a half yearly certificate from a Company Secretary in Practice in respect of share transfers as required under Regulation 40 (9) of SEBI (LODR) Regulations, 2015 and filed the said certificate with BSE Ltd.

k) **Distribution of shareholding by size as on 31<sup>st</sup> March 2020**

Shares held	No. of Folios	% holders	Number of shares held	% shares
1 – 500	6595	78.5587	14,59,477	1.6378
501-1000	864	10.2918	8,06,538	0.9051
1001-2000	394	4.6933	6,58,979	0.7395
2001-3000	140	1.6677	3,62,575	0.4069
3001-4000	54	0.6432	1,98,230	0.2224
4001-5000	112	1.3341	5,42,270	0.6085
5001-10000	94	1.1197	7,12,314	0.7993
10001-50000	114	1.3580	24,32,234	2.7293
50001-100000	11	0.1310	7,73,233	0.8677
100001 and above	17	0.2025	8,11,68,150	91.0835
<b>Total</b>	<b>8395</b>	<b>100.00</b>	<b>8,91,14,000</b>	<b>100.00</b>



**Distribution of shareholding by ownership as on 31st March, 2020**

**(Pursuant to Sections 4 and 4A of SFCs Act, 1951)**

<b>Sr. No.</b>	<b>Particulars of shareholding</b>	<b>No. of shares held (Rs.10/- each)</b>	<b>Percentage share</b>
1	<b>Government of Gujarat</b>		
	“a” Class of shares <i>(issued pursuant to Section 4(3)(a) of SFCs Act, 1951)</i>	4,72,60,000	53.03
	“c” Class of shares <i>(issued pursuant to Section 4(3)(c) of SFCs Act, 1951)</i>	250	-
	“d” Class of shares <i>(issued pursuant to Section 4(3)(d) of SFCs Act, 1951)</i>	30,150	0.03
	Special Class of shares <i>(issued pursuant to Section 4A of SFCs Act, 1951)</i>	18,00,000	2.02
2	<b>Small Industries Development Bank of India</b>		
	“b” Class of shares <i>(issued pursuant to Section 4(3)(b) of SFCs Act, 1951)</i>	2,46,20,000	27.63
	Special Class of shares <i>(issued pursuant to Section 4A of SFCs Act, 1951)</i>	7,00,000	0.79
3	<b>Scheduled Banks, Co. Op. Banks, Insurance Cos.</b>		
	“c” Class of shares <i>(issued pursuant to Section 4(3)(c) of SFCs Act, 1951)</i>	4,00,000	0.45
4	<b>Others (Public Shareholders)</b>		
	“d” Class of shares <i>(issued pursuant to Section 4(3)(d) of SFCs Act, 1951)</i>	1,43,03,600	16.05
	<b>T O T A L</b>	<b>8,91,14,000</b>	<b>100.00</b>

**l) Dematerialization of shares and Liquidity**

Due to restrictions contained in the SFCs Act, 1951, only 1,43,03,600 Class “d” shares issued pursuant to Section 4 (3) (d) of the SFCs Act, 1951 are listed for trading on the floor of Stock Exchange of which 1,02,37,140 shares are held in electronic mode as on 31<sup>st</sup> March, 2020 which consists of 71.57% of Class “d” shares. Class ‘d’ shares are available for dematerialization with both depositories viz. National Securities Depository Ltd and Central Depository Services (India) Ltd. The ISIN Code allotted to the Corporation is INE944A01011.

**m) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity : Not applicable**

n) Commodity price risk or foreign exchange risk – Not applicable

o) Plant Location : Not applicable

**p) Address for correspondence**

The Compliance Officer  
Gujarat State Financial Corporation, Secretarial Cell  
Udyog Bhavan, Block No.10, Sector-11, GANDHINAGAR-382 010  
Phone : 079-23256766 Fax: 079-23252204  
E-mail : [sec-cell-gsfc@gujarat.gov.in](mailto:sec-cell-gsfc@gujarat.gov.in)

q) During the year under reference, no credit rating has been obtained by the Corporation.



## 10. OTHER DISCLOSURES:

- a) No materially significant related party transaction has been entered with any of the related parties in conflict with the interest of the Corporation.
  - b) Corporation had been receiving letters imposing fine for non-compliance of Regulations 17 (1), 18(1) and 19(1)/19(2) of SEBI (LODR) Regulations, 2015, more particularly when there is no Independent Director on the Board, from the quarters ended 30<sup>th</sup> September, 2018 till 30<sup>th</sup> September, 2019. Corporation being a body corporate established under State Financial Corporations Act, 1951, exemptions/relaxations under the proviso to Regulation 15 (2) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are available to it. Para-7 of SEBI circular dated 3<sup>rd</sup> May, 2018 empowers Stock Exchange for keeping in abeyance or withdraw the action in specific cases where specific exemptions from compliances with the requirements under Listing Regulations etc., are given. Corporation contested the claim vide various communications. BSE Ltd, vide email communication dated 11<sup>th</sup> February, 2019, informed that they are making representation to SEBI and once their guidance is sought on the matter, they will revert to us. No further communication has been received till now.
  - c) Corporation has established its own vigil mechanism for Directors and employees to report concerns about unethical behaviors, actual or suspected fraud or violation of its code of conduct. Whistle Blower Policy is in vogue in the Corporation. During the year, no personnel have been denied access to the Audit Committee.
  - d) Pursuant to Corporation's Code of Conduct policy, Directors and senior management personnel have affirmed their compliance with the Code for the Financial Year 2019-20, a declaration to this effect signed by Managing Director forms part of this Report.
  - e) Since provisions of Section 164 of Companies Act, 2013 are not attracted to the Directors of the Corporation, certificate from Company Secretary in Practice is not obtained with regard to disqualification of Directors.
  - f) During the year under reference, Corporation remitted Rs.95,580/- to M/s. Priyam R Shah & Associates, Chartered Accountants, statutory auditors towards audit fee for FY 2018-19, Rs.45,880/- for obtaining Limited Review Certificates and reimbursed Rs.6,230/- on account of TA/HA.
  - g) The affairs of the Corporation are inspected by SIDBI under Section 37-A of the SFCs Act, 1951 from time to time, commercial as well as compliance audit by Comptroller and Auditor General of India under Section 37 of the said Act besides statutory audit by a firm of Chartered Accountants selected from the panel of list furnished by Reserve Bank of India and eligibility and suitability are confirmed by RBI. Keeping in view the fact that there is no provision in SFCs Act, 1951 or the Regulations made thereunder, the affairs are being audited and inspected by the aforesaid authorities and exemption/relaxation is available to bodies corporate under the proviso to Regulation 15 (2) (b) of the SEBI (LODR) Regulations, 2015, Corporation has not opted for Secretarial Audit as provided under Regulation 24A of SEBI (LODR) Regulations, 2015.
11. Corporation has complied with mandatory requirements of SEBI (LODR) Regulations, 2015 to the extent and in such a manner that it does not violate the provisions of State Financial Corporations Act, 1951 and the Regulations made thereunder.
  12. Corporation received letter dated December 10, 2019 from BSE Ltd imposing fine of Rs.10,000/- plus GST for delay in furnishing prior intimation of meeting of Board of Directors as per the provisions of Regulation 29(2)/29(3) of SEBI (LODR) Regulations, 2015. There was a delay of two days in providing prior intimation and hence the fine so imposed by BSE Ltd was remitted on December 18, 2019.



13. The extent of implementation of non-mandatory requirements is furnished as under:-

	<b>Requirement</b>	<b>Compliance</b>
A	<b>The Board:</b> A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his duties	Not applicable to the Corporation
B	<b>Shareholder Rights:</b> A half-yearly declaration of financial performance including summary of the significant events in last six months, may be sent to each household of shareholders	Half yearly financial results are uploaded on the website of the Corporation, submitted to BSE Ltd and also published in the newspapers.
C	<b>Modified opinion(s) in audit report:</b> The listed entity may move towards a regime of financial statements with unmodified audit opinion	The audit opinions are of technical in nature.
D	<b>Reporting of internal auditor</b>	Internal Auditor's Reports are periodically placed before the Audit Committee for suitable information and directions. The directions of the Committee are promptly complied with.

14. Declaration regarding compliance of Code of Conduct by the Board members and Senior Management Personnel by the Managing Director forms part of this Report.
15. Compliance certificate from Shri Kishor Dudhatra, Practicing Company Secretary, regarding compliance of conditions of corporate governance also forms part of this Report. Reasons for non-compliance is given in point No. 10 (b) above.
16. Disclosure with respect to demat suspense account/unclaimed suspense account – Not applicable.



## KISHOR DUDHATRA

Company Secretary  
B.B.A., FCS

B-314, Gopal Palace, Opp. Ocean Park, Near Shiromani Complex, Shivranjani, Nehrunagar Road,  
Ahmedabad-380015  
Phone: (O) 40041451, (Mobile) 98250 12960  
e-mail: ksdudhatra@yahoo.com

**CERTIFICATE OF COMPLIANCE WITH THE CONDITIONS OF REGULATIONS 17, 18, 19, 20, 21, 22, 23, 24, 24[A], 25, 26, 27 AND CLAUSE (B) TO (I) OF SUB -REGULATION (2) OF REGULATION 46 AND PARA C , D AND E OF SCHEDULE V OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To,  
The Members of  
Gujarat State Financial Corporation,  
Gandhinagar.

1. We have examined the compliance of conditions of Corporate Governance by Gujarat State Financial Corporation for the year ended on 31st March, 2020, as stipulated in Regulations (R.W. Regulation 15 (2) (b)), 17, [17A,] 18, 19, 20, 21,22, 23, 24, [24A,] 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C , D and E of Schedule V of the Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the said Corporation with stock exchanges in India.
2. 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Corporation. We report that;
  - a) Pursuant to BSE letters dated 31<sup>st</sup> October 2018 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ Sept- 18/532160/960/2018-19, dated 31<sup>st</sup> January 2019 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ Dec- 18/532160/1093/2018-19 & dated 2<sup>nd</sup> May 2019 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ March- 19/532160/ 37/2019-20, vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/June-19/ 532160/157/2019-20 dated 19<sup>th</sup> August, 2019 and vide letter No. LIST/COMP/Reg.27(2) & Reg. 17 to 21/Sep-19/532160/219/2019-20 dated 31<sup>st</sup> October, 2019, BSE Ltd had imposed penalty of Rs. 9,77,040/- for each quarter ended on 30.09.2018, 31.12.2018, , Rs.9,55,800/- for the quarter ended 31.03.2019, Rs.9,66,420/- for the quarter ended 30.6.2019 and Rs.3,96,480/- for the quarter ended 30.9.2019 for non-compliance of following Regulations of SEBI (LODR) Regulations, 2015
    - i) Regulation 17(1) : Non-compliance with the requirements pertaining to the composition of the Board including failure to appoint women director.
    - ii) Regulation 18(1) : Non-compliance with the constitution of Audit Committee.
    - iii) Regulation 19(1)/19(2) : Non-compliance with the constitution of Nomination and Remuneration Committee.

Corporation has made several communications with respect to aforementioned violations and sought for exemption/relaxation pursuant to Proviso of Regulation 15(2) (b) of SEBI (LODR) Regulations, 2015 and in response to those communications Corporation has received a reply vide BSE email dated February 11, 2019 that BSE is making representation to SEBI and once their guidance is sought on this matter, BSE will revert to GSFC.



In absence of specific guidance from BSE, we are unable to comment on the same.

Fine of Rs.10,000/- was also imposed for delay in furnishing prior intimation of meeting of Board of Directors as required under Regulation 29(2)/29(3) vide BSE letter No. LIST/COMP/532160/Reg.29(2)-Nov19/244/2019-20 dated 10<sup>th</sup> December, 2019.

In our opinion and to the best of our information and according to the explanations given to us and r.w. proviso to Regulation 15(2) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Corporation has complied with the conditions of corporate governance to the extent that it is not violate the provisions of State Financial Corporations Act, 1951 and the guidelines or directives issued by the relevant authorities and subject to what is stated above, we certify that Corporation has complied with the conditions of Corporate Governance, as stipulated in the above-mentioned Listing Regulations.

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

Date: 15.06.2020

Place: Ahmedabad

**KISHOR DUDHATRA**

PRACTICING COMPANY SECRETARY

FCS NO. 7236 C.P. No. 3959

UDIN:F007236B000344551

### **CODE OF CONDUCT DECLARATION**

In compliance with Regulation 34 (3) read with Clause D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby declare that members of Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct of Board of Directors and senior management for the year ended 31<sup>st</sup> March, 2020.

Place : Gandhinagar

Dated : 10-06-2020

**(Rahul Gupta, IAS)**

Managing Director



**Priyam R. Shah & Associates**

**CHARTERED ACCOUNTANTS**

202, Pelican, Gujarat Chamber of Commerce Compound, Ashram Road, Ahmedabad-380 009.

Tele (O) 079-40042700-01-02-03 • E-mail : rmshah@rmshah.net



## Independent Auditor's Report

To,

The Members of

**GUJARAT STATE FINANCIAL CORPORATION**

### Report on the Financial Statements

We have audited the accompanying financial statements of **GUJARAT STATE FINANCIAL CORPORATION ('the Corporation')** which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and in accordance with the State Financial Corporations Act, 1951 (the Act). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Corporation and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Corporation has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Corporation's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



### **Basis for Qualified Opinion**

- a. The financial statements of the corporation are prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded and defaulted in repayment obligations due to liquidity problems. This is not in accordance with Accounting Standard (AS) – 1 “Disclosure of Accounting Policies”. The effect of the same on the financial statements is not ascertainable.
- b. Dues payable to Government of Gujarat is subject to confirmation and adjustment, if any, required upon such confirmation. Pending such confirmation, the effect thereof on interest and penal interest is not ascertainable.
- c. Interest income on loans and advances on account of recovery from the parties are made on actual receipt basis since beginning of financial year 2018-19, as a result of change in accounting policy adopted by the Corporation. However, in respect of receipts prior to 1-4-2018, the then prevailing policy is kept intact. Therefore, the actual effect on write back of NPA, bad debt provision and any other items of financial results could not be ascertained.
- d. The balances in parties’ accounts in subsidiary ledgers with general ledgers of loans and advances are not reconciled. The effect thereof on loans and advances is not ascertainable.
- e. Borrowings, Other Liabilities and Provisions Other Assets and Loans and Advances are subject to confirmation and adjustments, if any and the effect of the same on the financial statements is not ascertainable.

### **Qualified Opinion**

In our opinion and to the best of our information and according to the explanation given to us, except for the possible effects of the matter described in Basis for Qualified Opinion paragraph, the aforesaid financial statement give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the corporation as at 31st March, 2019, and its loss and its cash flow for the year ended on that date.

### **Reports on Other Legal & Regulatory Requirements**

- a. We have sought and, *except for the matters described in the Basis for Qualified Opinion paragraph*, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion proper books of accounts as required by law have been kept by the Corporation so far as appears from our examination of those books.
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. Except the possible effect of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid financial statements comply with the Accounting standards issued by ICAI.

**For, Priyam R Shah & Associates**  
**Chartered Accountants**  
**Firm Registration No. 118421W**

**Mitesh M Nagar**  
**Partner**  
**Membership No. 173787**  
**UDIN:**

**Place: Ahmedabad**  
**Date : 29-06-2020**





<b>GUJARAT STATE FINANCIAL CORPORATION</b>							
<b>BALANCE SHEET AS AT 31ST MARCH, 2020</b>							
Particulars	Note No.	As at 31st March 2020	As at 31st March 2019				
<b>CAPITAL/LIABILITIES</b>		₹	₹				
SHARE CAPITAL	1	89,11,40,000	89,11,40,000				
SHARE FORFEITED	1-A	4,60,48,000	4,60,48,000				
RESERVES & SURPLUS	2	2,73,36,66,913	2,73,36,66,913				
BORROWINGS	3	6,61,68,42,633	6,61,68,42,633				
OTHER LIABILITIES & PROVISIONS	4	19,41,22,58,202	18,11,67,84,547				
<b>Total Rs.</b>		<b>29,69,99,55,748</b>	<b>28,40,44,82,093</b>				
<b>ASSETS</b>		₹	₹				
CASH & BANK BALANCES	5	1,17,91,321	1,27,81,332				
INVESTMENTS	6	1,53,10,48,282	1,41,06,58,091				
LOANS & ADVANCES	7	-	-				
FIXED ASSETS	8	3,26,33,503	3,62,58,728				
OTHER ASSETS	9	7,71,26,154	7,18,17,895				
PROFIT & LOSS ACCOUNT		28,04,73,56,488	26,87,29,66,048				
<b>Total Rs.</b>		<b>29,69,99,55,748</b>	<b>28,40,44,82,093</b>				
<b>NOTES TO ACCOUNTS</b>	<b>15</b>						
<p>Notes referred to above and notes attached there to form an integral part of the Financial Statements</p> <p style="text-align: right;"><b>FOR AND ON BEHALF OF THE BOARD,</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 25%; text-align: center;">(M.R. Malpani) Executive Officer(A/cs)</td> <td style="width: 25%; text-align: center;">(Raveendran Nair) Secretary (Board)</td> <td style="width: 25%; text-align: center;">(Ravindran A.L.) Director</td> <td style="width: 25%; text-align: center;">(Rahul Gupta, IAS) Managing Director</td> </tr> </table> <p>As per our Report of even date.</p> <p><b>FOR PRIYAM R. SHAH &amp; ASSOCIATES</b>  <b>CHARTERED ACCOUNTANTS</b>                      ICAI Firm Reg. No. : 118421W</p> <p><b>MITESH NAGAR</b>  <b>PARTNER</b>                      Membership No. : 173787                      PLACE : AHMEDABAD                      DATED : 29-06-2020</p> <p style="text-align: right;"><b>PLACE : GANDHINAGAR</b>  <b>DATED : 29-06-2020</b></p>				(M.R. Malpani) Executive Officer(A/cs)	(Raveendran Nair) Secretary (Board)	(Ravindran A.L.) Director	(Rahul Gupta, IAS) Managing Director
(M.R. Malpani) Executive Officer(A/cs)	(Raveendran Nair) Secretary (Board)	(Ravindran A.L.) Director	(Rahul Gupta, IAS) Managing Director				



<b>GUJARAT STATE FINANCIAL CORPORATION</b>			
<b>STATEMENT OF PROFIT &amp; LOSS FOR THE YEAR ENDED 31ST MARCH, 2020</b>			
Particulars	Note. No.	For the Year Ended 31st March, 2020 ₹	For the Year Ended 31st March, 2019 ₹
<b>INCOME</b>			
INTEREST ON LOANS & ADVANCES		2,12,87,341	2,42,49,969
INTEREST ON DEPOSITS		11,02,51,370	9,42,11,868
PROFIT ON SALE OF ASSETS		-	52,903
PROVISION AGAINST NPA WRITTEN BACK		5,96,84,472	9,20,47,248
OTHER INCOME	10	30,73,296	69,97,875
<b>TOTAL INCOME ₹</b>		<b>19,42,96,479</b>	<b>21,75,59,863</b>
<b>EXPENDITURE</b>			
INTEREST ON BONDS, DEPOSITS & OTHER BORROWINGS	11	1,29,99,50,941	1,28,05,02,162
FINANCIAL EXPENSES & COMMITMENT CHARGES	12	5,214	18,279
PERSONNEL EXPENSES	13	2,98,96,231	2,99,89,266
OTHER EXPENSES	14	2,73,11,293	4,58,85,162
DEPRECIATION	8	36,46,025	41,06,440
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS		78,77,215	57,13,195
<b>TOTAL EXPENDITURE ₹</b>		<b>1,36,86,86,919</b>	<b>1,36,62,14,503</b>
<b>NET LOSS FOR THE YEAR</b>		<b>-1,17,43,90,440</b>	<b>-1,14,86,54,640</b>
<b>ADD: OPENING BALANCE OF PROFIT &amp; LOSS ACCOUNT</b>		<b>-26,87,29,66,048</b>	<b>-25,72,43,11,408</b>
<b>BALANCE CARRIED FORWARD TO BALANCE SHEET</b>		<b>-28,04,73,56,488</b>	<b>-26,87,29,66,048</b>
<b>EARNINGS PER SHARE (BASIC AND DILUTED)</b>		<b>-13.18</b>	<b>-12.89</b>
<b>NOTES TO ACCOUNTS</b>	<b>15</b>		
Notes referred to above and notes attached there to form an integral part of the Financial Statements			
FOR AND ON BEHALF OF THE BOARD,			
(M.R. Malpani) Executive Officer(A/cs)	(Raveendran Nair) Secretary (Board)	(Ravindran A.L.) Director	(Rahul Gupta, IAS) Managing Director
As per our Report of even date.			
FOR PRIYAM R. SHAH & ASSOCIATES CHARTERED ACCOUNTANTS ICAI Firm Reg. No.: 118421W			
MITESH NAGAR PARTNER Membership No. :173787 PLACE: AHMEDABAD DATED: 29-06-2020		PLACE: GANDHINAGAR DATED: 29-06-2020	



<b>GUJARAT STATE FINANCIAL CORPORATION</b>		
<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2020</b>		
Particulars	For the Year Ended 31st March, 2020 ₹	For the Year Ended 31st March, 2019 ₹
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before tax as per Profit & Loss A/c	-1,17,43,90,440	-1,14,86,54,640
Adjustments :		
Depreciation	36,46,025	41,06,440
Provision for NPA written back		
Diminution/(Reverse Diminution) in Value of Investments	78,77,215	57,13,195
Profit on sale of Investments	-	-
Profit on Sale of Assets	0	-52,903
Dividend Income	-11,000	-
Interest Income	-11,02,86,990	-9,42,73,853
Interest on Finance Cost	-	-
<b>Operating Loss before working capital</b>	<b>-1,27,31,65,190</b>	<b>-1,23,31,61,761</b>
Adjusted for :		
i) Other Assets	-53,08,259	-69,89,721
i) Other Liabilities & Provisions	1,29,54,73,655	1,28,55,08,501
<b>NET CASH USED FROM OPERATING ACTIVITIES (A)</b>	<b>1,70,00,206</b>	<b>4,53,57,019</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (After changes in Capital W-I-P)	-20,800	-12,239
Sale of Fixed Assets	0	69,499
Decrease in Investments	-12,82,67,407	-15,94,27,292
Dividend Income	11,000	-
Interest Income	11,02,86,990	9,42,73,854
<b>NET CAS USED FROM INVESTING ACTIVITIES (B)</b>	<b>-1,79,90,217</b>	<b>-6,50,96,179</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>-</b>	<b>-</b>
<b>Net Increase in Cash &amp; Cash Equivalentents (A+B+C)</b>	<b>-9,90,011</b>	<b>-1,97,39,160</b>
Opening Balance of Cash & Cash Equivalentents	1,27,81,332	3,25,20,492
Closing Balance of Cash & Cash Equivalentents	1,17,91,321	1,27,81,332
<b>NOTE: The above Cash Flow is prepared in accordance with Accounting Standard - 3 (indirect method).</b>		
<b>FOR AND ON BEHALF OF THE BOARD,</b>		
(M.R. Malpani) Executive Officer(A/cs)	(Raveendran Nair) Secretary (Board)	(Ravindran A.L.) Director
		(Rahul Gupta, IAS) Managing Director
As per our Report of even date.		
FOR PRIYAM R. SHAH & ASSOCIATES CHARTERED ACCOUNTANTS ICAI Firm Reg. No.: 118421W		
MITESH NAGAR PARTNER Membership No. :173787 PLACE: AHMEDABAD DATED: 29-06-2020		
PLACE: GANDHINAGAR DATED: 29-06-2020		



**GUJARAT STATE FINANCIAL CORPORATION**

**Notes to the Financial Statements for the year ended on 31st March, 2020**

**Note : 1 Share Capital**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
1	<b>AUTHORIZED CAPITAL</b> 10,00,00,000 Equity Shares of Rs. 10/- each.	1,00,00,00,000	1,00,00,00,000
		1,00,00,00,000	1,00,00,00,000
2	<b>ISSUED , SUBSCRIBED &amp; PAID UP CAPITAL</b>		
	A) 8,66,14,000 SHARES (PREVIOUS YEAR 8,66,14.000 SHARES OF Rs.10/- EACH)	86,61,40,000	86,61,40,000
	B) 25,00,000 SHARES OF Rs.10/- EACH SPECIAL CAPITAL ( PREVIOUS YEAR 25,00,000 OF Rs.10/- EACH) ISSUED U/S 4-A OF THE SFC'S ACT,1951	2,50,00,000	2,50,00,000
	<b>Total in ₹</b>	<b>89,11,40,000</b>	<b>89,11,40,000</b>

**Note : 1-A Share Forfeited**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
1	SHARE FORFEITED 92,09,600 EACH OF Rs. 10/- (ORIGINALLY PAID UP VALUE ₹ 5/-)	4,60,48,000	4,60,48,000
	<b>Total in ₹</b>	<b>4,60,48,000</b>	<b>4,60,48,000</b>

**Note : 2 Reserves & Surplus**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
A	SPECIAL RESERVE (U/S 36(1)(VIII) OF THE I.T. ACT 1961	64,34,16,722	64,34,16,722
B	RESERVE FOR BAD AND DOUBTFUL DEBTS	4,75,35,006	4,75,35,006
C	SECURITIES PREMIUM	18,89,88,000	18,89,88,000
D	CAPITAL RESERVE - GAIN ON RESTRUCTURING OF PRINCIPAL DEBTS	1,82,87,27,185	1,82,87,27,185
E	SPECIAL RESERVE ( CREATED U/S.35 A OF THE SFC'S ACT,1951) (DIVIDEND FOREGONE BY GOVT.OF GUJARAT & IDBI)	2,50,00,000	2,50,00,000
	<b>Total in ₹</b>	<b>2,73,36,66,913</b>	<b>2,73,36,66,913</b>



**GUJARAT STATE FINANCIAL CORPORATION**

**Notes to the Financial Statements for the year ended on 31st March, 2020**

**Note : 3 Borrowings**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
(a)	<b>LONG TERM BORROWINGS</b>		
	<b>UNSECURED</b>		
	FROM STATE GOVT.FOR MARGIN LOAN TO BALISANA PROJECT	2,10,000	2,10,000
	FROM STATE GOVT.SALES TAX INT.FREE LOAN	1,76,86,346	1,76,86,346
	SALES TAX INT. FREE DEEMED LOAN (CONTRA)	31,49,32,320	31,49,32,320
	FROM STATE GOVT.FOR HERITAGE HOTEL FUND (INTEREST 5%)	1,00,00,000	1,00,00,000
	SOFT LOAN FROM GOVT.OF GUJARAT	6,21,36,80,000	6,21,36,80,000
	LOAN IN LIEU OF SHARE CAPITAL FROM GOVT OF GUJARAT. (INTEREST 3.5% & 7.5%)	6,03,33,967	6,03,33,967
	<b>Total in ₹</b>	<b>6,61,68,42,633</b>	<b>6,61,68,42,633</b>

Note :3(i) Soft loan received from Government of Gujarat (21 accounts) during the years from 2004-05 to 2011-12 are repayable in 10 years in quarterly installments from the date of disbursement carrying interest ranging from 12% to 15%.

3(ii) On account of consistent operational losses, the Corporation has continuously defaulted in repayment of Government of Gujarat's long term loans/borrowings.

**Note : 4 Other Liabilities & Provisions**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
	TAX DEDUCTED AT SOURCE PAYABLE	1,24,583	1,53,543
	SECURITY DEPOSIT	1,45,406	1,45,406
	GST PAYABLE	-1,94,599	16,338.00
	UNPAID GUARANTEE FEE	35,60,39,833	35,60,39,833
	INTEREST PAYABLE ON BORROWINGS	19,00,77,04,117	17,70,77,53,176
	INTEREST PAYABLE ON SECURITY DEPOSITS	57,491	57,491
	UNCLAIMED DIVIDEND	3,51,048	3,51,048
	SUBSIDY FROM GOVT.(AS AN AGENCY)	2,05,97,36,976	2,05,97,36,976
	LESS :DISBURSED UPTO END OF THE YEAR	-2,04,27,11,180	-2,04,27,11,180
	OTHER DEPOSITS	69,89,116	1,32,70,616
	SUNDRIES (OTHER LIABILITIES)	2,52,86,016	2,30,57,944
	LESS : STD NO LIEN A/C (CONTRA NOTE -9)	-36,07,518	-34,23,557
	<b>SUBVENTION FROM STATE GOVT</b>		
	BALANCE AS PER LAST BALANCE SHEET	16,69,56,010	16,69,56,010
	LESS: DIVIDEND DEFICIT A/C	-16,46,19,096	-16,46,19,096
	<b>Total in ₹</b>	<b>19,41,22,58,202</b>	<b>18,11,67,84,547</b>

**Note : 5 Cash & Bank Balances**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
A	<b>Cash-on-Hand</b>		
	Cash on hand and as Imprest	91,033	1,03,275
	<b>Sub Total (A)</b>	<b>91,033</b>	<b>1,03,275</b>
B	<b>Bank Balance with Scheduled Banks</b>		
	BALANCE WITH BANKS (IN CURRENT ACCOUNTS )	62,28,887	76,06,656
	<b>Others (Deposits with GSFS)</b>		
	LIQUID DEPOSIT WITH GSFS GSFS INTER CORPORAT DEPOSIT	54,71,401	50,71,401
	<b>Sub Total (B)</b>	<b>1,17,00,288</b>	<b>1,26,78,057</b>
	<b>Total in ₹ [ A + B ]</b>	<b>1,17,91,321</b>	<b>1,27,81,332</b>



**GUJARAT STATE FINANCIAL CORPORATION**

**Notes to the Financial Statements for the year ended on 31st March, 2020**

**Note : 6 Investments (At Cost)**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
(i)	<b>SHARES ACQUIRED UNDER UNDERWRITING AGREEMENT U/S 25(1) ( C ) OF THE SFC'S ACT,1951</b>		
	PREFERENCE SHARES,FULLY PAID-UP (UNQUOTED)	7,40,500	7,40,500
	A EQUITY SHARES,FULLY PAID (UNQUOTED)	1,14,84,000	1,14,84,000
	B EQUITY SHARES, PARTLY PAID (UNQUOTED)	3,00,000	3,00,000
(ii)	<b>PREFERENCE SHARES ACQUIRED UNDER SPECIAL CAPITAL SCHEME</b> (2000 Shares of Rs.100/- each fully paid up) (UNQUOTED)	2,00,000	2,00,000
(iii)	<b>EQUITY SHARES FULLY PAID (QUOTED)</b>		
	285440(PREVIOUS YEAR 285440) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN IDBI BANK LTD.	2,31,92,000	2,31,92,000
	1446470(PREVIOUS YEAR 1446470) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN JAGADIA COPPER LTD.	1,44,64,700	1,44,64,700
	500(PREVIOUS YEAR 500) EQUITY SHARES OF RS.2 EACH FULLY PAIDUP IN CORPORATION BANK	8,000	8,000
	409000(PREVIOUS YEAR 409000) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN KUSH INDUSTRIES LIMITED (FORMERLY KNOWN AS SNS TETILES LTD)	61,35,000	61,35,000
	220417(PREVIOUS YEAR 220417) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN SAR AUTO PRODUCTS LTD	22,04,170	22,04,170
	150000 (PREVIOUS YEAR 150000) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN OMKAR PHARMA LTD	15,00,000	15,00,000
(iv)	1(PREVIOUS YEAR 1) EQUITY SHARE OF G.S.F.C STAFF CO.OP CREDIT SOCIETY LTD. OF Rs. 10/- (UNQUOTED)	10	10
(v)	1100 (PREVIOUS YEAR 1100) EQUITY SHARES OF RS.100/- OF GUJARAT INDUSTRIAL& TECHNICAL CONSULTANCY (GITCO) (UNQUOTED)	1,10,000	1,10,000
(vi)	GSFS INTER CORPORATE DEPOSIT	1,52,14,84,441	1,39,32,17,035
	<b>LESS :</b>		
	INVESTMENT DEPRECIATION PROVIDED	(5,07,74,539.00)	(4,28,97,324.00)
	<b>Total in ₹</b>	<b>1,53,10,48,282</b>	<b>1,41,06,58,091</b>

Aggregate cost of quoted securities - Rs.47,503,870/-  
 Market value of quoted securities - Rs.79,880,177/-  
 Aggregate cost of unquoted securities - Rs.1,534,318,951/-

**Note: 7 Loans and Advances**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
	PRINCIPAL AMOUNT (TERM LOAN , HIRE PURCHASE & LEASE FINANCE )	4,09,42,35,746	4,15,39,20,218
	LESS : PROVISION FOR NPA	(4,09,42,35,746)	(4,15,39,20,218)
	<b>Total in ₹</b>	<b>-</b>	<b>-</b>

7 (i) No loans and advances due to Directors or other officers of the Corporation in which they are partner or member



**GUJARAT STATE FINANCIAL CORPORATION**

*Notes to the Financial Statements for the year ended on 31st March, 2020*

Sr. No.	Particulars	Gross Block				Depreciation			Net Block		
		As on 01-04-2019	Addition during 2019-20	Deduction during 2019-20	Closing Balance as on 31-03-2020	Provided upto 31-03-2019	Writtenback during 2019-20	Provided during 2019-20	Total Depreciation as on 31-03-2020	As on 31-03-2020	As on 31-03-2019
<b>A.</b>	<b>OWN ASSETS</b>										
1	Furniture & Fixtures	3,27,68,630			3,27,68,630	1,55,71,195	17,19,744	1,72,90,939	1,54,77,691	1,71,97,435	
2	Office Equipments	96,36,280	20,800		96,57,080	54,31,408	6,32,831	60,64,239	35,92,841	42,04,872	
3	Office Vehicles	45,18,014			45,18,014	30,57,634	2,19,054	32,76,688	12,41,326	14,60,380	
4	Land & Building	3,94,45,116			3,94,45,116	2,60,70,373	10,65,883	2,71,36,256	1,23,08,860	1,33,74,743	
5	Computers	2,32,46,120			2,32,46,120	2,32,24,837	8,513	2,32,33,350	12,770	21,283	
	<b>Total in ₹ [A]</b>	<b>10,96,14,160</b>	<b>20,800</b>	<b>-</b>	<b>10,96,34,960</b>	<b>7,33,55,447</b>	<b>-</b>	<b>7,70,01,472</b>	<b>3,26,33,488</b>	<b>3,62,58,713</b>	
<b>B.</b>	<b>LEASE ASSETS</b>										
1	Machinery & Equipments	15	-	-	15	-	-	-	-	15	15
	<b>Total in ₹ [B]</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15</b>
	<b>Total in ₹ [A] + [B]</b>	<b>10,96,14,175</b>	<b>20,800</b>	<b>-</b>	<b>10,96,34,975</b>	<b>7,33,55,447</b>	<b>-</b>	<b>7,70,01,472</b>	<b>3,26,33,503</b>	<b>3,62,58,728</b>	

**Note : 9 Other Assets**

Sr. No	Particulars	As at 31st March 2020 ₹	As at 31st March 2019 ₹
1	LOANS & ADVANCES TO EMPLOYEES	5,00,106	6,75,086
	ADD : INTEREST ACCRUED THEREON	23,79,627	35,61,022
2	CAPITAL SUBSIDY RECEIVABLE	5,80,971	5,80,971
3	SUNDRIES	1,14,18,181	1,12,03,397
	LESS : STD NO LIEN A/C (CONTRA NOTE.4)	(36,07,518)	(34,23,557)
4	TDS - FROM INVESTMENT INCOME	6,59,747	6,59,747
5	ADVANCE TAX	5,38,812	5,14,812
6	INTEREST ACCRUED BUT NOT DUE ON ICD AND LQDS	6,33,03,404	5,66,90,129
7	EXCESS TDS DEPOSITED TO BE ADJUSTED AGAINST EXPENSES	57,824	61,288
8	DEPOSIT FROM LOANEEES	12,95,000	12,95,000
	<b>Total in ₹</b>	<b>7,71,26,154</b>	<b>7,18,17,895</b>







## NOTE – 15

### NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2020

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#### A ACCOUNTING POLICIES AND METHOD OF ACCOUNTING:

(01) These financial statements have been prepared on accrual basis, unless otherwise stated, as a going concern under historic cost convention, in accordance with the requirements of the State Financial Corporations Act, 1951; regulations framed thereunder and generally accepted accounting principles.

#### (02) REVENUE RECOGNITION:

(a) The Corporation recognizes income by way of interest, penalty and other charges after realization of cheques as intimated by banks. Interest income includes penal interest received. The said income recognition is applicable only to interest earned from operational activities and not on interest income earned through investing or financing activities.

(b) In view of the prudential norms prescribed by SIDBI, no income is recognized in respect of Non-Performing Assets (NPA). Income on such assets shall be recognized as and when received. Provision for NPA has been made as per the norms prescribed by SIDBI. All assets have been classified as doubtful for more than three years or loss assets and accordingly 100% provision has been made.

(c) Amount received from the loanees are credited in the books in the following order :

[1] Penalty & other charges

[2] Interest

[3] Principal

(d) Where the unit of the loanees or collateral security is sold, the amount realized is first credited towards principal and if there is any surplus, it is credited towards other dues. However, where the amount realized in respect of the units which were written off in previous year/years and subsequently sold out, the amount is credited to Bad Debts Recovery A/c. under the group of "Other Income".

(e) Prior to 1.4.2018, in case loanees opted for OTS, amount received from the loanee is first apportioned as per normal practice as under:

[1] Penalty & other charges

[2] Interest

[3] Principal

At the time of issuance of No Due Certificate, the effect of OTS scheme is given whereby amount credited to interest/penalty account during recovery period of OTS which otherwise was principal recovery as per OTS scheme is being given effect. The shortfall in principal account is compensated by crediting interest income and write off of the same amount.

Keeping in view the fact that all loan assets are NPAs and 100% provision is made, the aforesaid policy has been changed with effect from 1<sup>st</sup> April, 2018 as under:



“In case of loanees opted for OTS, amount received from the loanee is apportioned in the following order:-

1. Principal and capitalized expenses
2. Interest
3. Penalty and other charges

At the time of issuance of No Due Certificate, the shortfall in principal account, if any, is compensated by write off of the same amount.”

As a result of adoption of the said accounting policy, during the year under reference, out of an amount of Rs.9.68 lakh (previous year Rs.434.08 lakh) received as recovery from OTS accounts pertaining to the period prior to 01-04-2018, only Rs.5.41 lakh (previous year Rs.242.50 lakh) has been recognized as interest income and balance amount of Rs. 4.27 lakh (previous year Rs.192.58 lakh) has been credited towards Principal. Therefore, during the year under reference, interest income is reduced by Rs.4.27 lakh (previous year Rs.242.50 lakh) and write back of NPA provision increased by the same amount.

### **(03) FIXED ASSETS**

Fixed assets including the assets given on lease are recorded at the cost of acquisition including incidental expenses in connection thereto. All fixed assets are stated at cost less depreciation and in case of leased assets, after taking into consideration the lease adjustments account.

All leased assets are shown at Re.1/- book value since lease terms of all the assets have expired.

### **(04) DEPRECIATION:**

[a] Depreciation on assets is provided under Written Down Value Method in accordance with rates prescribed under Income Tax Act, 1961 as under:-

Furniture & Fixtures	: 10%
Office Equipment	: 15%
Motor cars	: 15%
Office Building	: 10%
Residential building	: 5%
Computers	: 40%

In case of additions to fixed assets, depreciation is provided for full year where additions are made on or before 30<sup>th</sup> September and at 50% of the rates for assets acquired after 30<sup>th</sup> September. In respect of sale/disposal of fixed assets, no depreciation is provided in the year of sale/disposal.

### **(05) EMPLOYEE BENEFITS:**

(a) Salaries and non-monetary benefits are accrued in the year in which the services are rendered by the employees. Contribution to employees' provident fund are recognized as an expense and charged to Statement of Profit and Loss.



(b) For gratuity up to Rs.10.00 lakh and leave encashment liabilities, Corporation took policies with Life Insurance Corporation of India which takes care of liabilities on both the counts. The entire premium paid to LIC is charged to Statement of Profit and Loss. The ceiling limit of maximum amount of gratuity is increased from Rs.10.00 lakh to Rs.20.00 lakh with effect from 29.3.2018. Pending amendment to GSFC (Payment of Gratuity to Employees) Regulations, 1964, Corporation provides for differential amount of gratuity in respect of retired employees in the Statement of Profit and Loss. During the year under reference, Corporation provided Rs. 20,48,160/- (previous year Rs. 11,80,140/-) towards gratuity liability.

**(06) INVESTMENTS:**

Investment is classified as “Available for sale” for the purpose of valuation and provision for net diminution in value of investment is made as per the guidelines issued by SIDBI.

**(07) BORROWING COST :**

Borrowing cost is recognized as expense and charged to Statement of Profit and Loss.

**(08) WRITE OFFS :**

While writing off loans, the Corporation takes into consideration the following where

- A] Assets of the loanees are lost
- B] Loanees are not in existence
- C] To the extent of deficit on sale of loanee assets
- D] The units are closed and no recovery is forthcoming
- E] Waiver/sacrifice on account of One Time Settlement/any other settlement.

**(09) TAXATION :**

Deferred Tax Asset is not recognized in view of Corporation not being virtually certain of realizing adequate profits in the foreseeable future.

**(10) IMPAIRMENT OF ASSETS:**

A substantial portion of Corporation’s assets comprise of ‘financial assets’ to which Accounting Standard-28 “Impairment of assets” is not applicable. In respect of assets to which Standard applies, in the opinion of the management, there are no indications, internal or external, which could have the effect of impairing the value of the assets to any material extent as at 31<sup>st</sup> March, 2020 requiring recognition in terms of the said standard.

**(11) EVENTS OCCURRING AFTER THE BALANCE SHEET DATE :**

Material adjusting events (that provides evidence of condition that existed at the balance sheet date) occurring after the balance sheet date are recognized in the financial statements. Non adjusting events (that are indicative of conditions that arose subsequent to the balance sheet date) occurring after the balance sheet date that represents material change and commitment affecting the financial position are disclosed in the report of the Board of Directors.

**(12) PROVISION:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.



**B. NOTES ON ACCOUNTS:**

(01) All Government guaranteed bonds have been redeemed and proposals for vacation of guarantees are submitted to administrative department. Since there was no Government guaranteed bonds, no guarantee fee is payable during the year under report. However, Corporation is in default of guarantee fee of Rs.35,60,39,833/- (Previous year Rs.35,60,39,833/-).

(02) While writing off principal amount as bad debts in certain cases, the value of securities available has not been ascertained and deducted from the principal amount. The sale proceeds of the securities will be accounted as bad debts recovered under the head "Other Income" as and when the amount is realized.

During the year under review, Corporation recovered an amount of Rs.24,11,663/- (previous year Rs.48,87,005/-) from Bad Debts written off.

**(03) CONTINGENT LAIBILITES :**

Contingent liabilities are not recognized as there is no present obligation as a result of past events and it is probable that there will be an outflow of resources. However, contingent liabilities are disclosed as under:

- (i) Claims in Civil suits against Corporation not acknowledged as debt estimated to Rs.1,50,000/- (previous year Rs.2,04,35,000/-).
- (ii) Details of Income Tax disputes against which appeals have been preferred are given below. The quantum of disputed tax liability is not ascertainable.

**(a) Appeals pending before Income Tax Appellate Tribunal:**

Assessment Year	Particulars
2000-01	Ascertained bad debt
2006-07	Waiver of Capital Receipt
2013-14	Addition u/s 2 (24)(x) read with Section 36 (1)(va)

**(b) Pending before Hon'ble High Court of Gujarat:**

Tax Appeal No. 696 of 2019 filed during the year under reference by Principal IT against GSFC regarding disallowance under Section 14A of Income Tax Act, 1961 for Assessment Year 2012-13 is pending before Hon'ble High Court of Gujarat for admission.

**(04) Details of pending reconciliation:**

- (i) In some of the cases, the balances as per the General Ledger are not tallied with the respective subsidiary ledgers.
- (ii) The outstanding balance of borrowings, other liabilities and provisions and other assets are subject to confirmation and adjustment, if any.
- (iii) The difference in Sales Tax Deferment Deemed loan between Subsidiary Ledger and General Ledger stands un-reconciled.

(05) The figures of previous year have been regrouped and rearranged wherever necessary to make them comparable with the figures of the current year.

(06) Corporation has made provision as per the prudential norms prescribed by SIDBI on the principal outstanding and other expenses incurred and shown as receivables. The provision made is subject to the Note No. B-4 regarding non reconciliation of general ledger balances as per the subsidiary ledger. During the year under reference,



all loan accounts are treated as doubtful for more than three years or loss assets. Accordingly, 100% provision has been made. Corporation has written back excess provision of Rs.5,96,84,472/- in the current year and shown separately in the Statement of Profit and Loss (Previous year Rs.9,20,47,248/-).

- (07) Corporation's operations are solely in the Financial Service Industry including Investment Operation. As majority of Corporation's total revenue consists of interest income, separate segment reporting as per Accounting Standard -17 is not considered necessary.
- (08) Board of Directors at its meeting held on 3.10.2012 decided to recommend to Government of Gujarat to make the loan of Rs.621,36,80,000/- as interest free from 1.7.2012. A proposal dated 17<sup>th</sup> October, 2012 has been submitted to Government through Industries & Mines Department and decision is awaited. Till then, interest on Government loan is charged to Statement of Profit & Loss on simple interest basis from 1.7.2012.
- (09) Financial Corporations are established to financing medium and small scale industries as Regional Development Banks for accelerating the industrial growth in States. SFCs are created as statutory Corporations in pursuance to Entry No. 43 of the Union List by Parliament as a special Act. GSFC being body corporate established under SFCs Act, 1951, remedial measures available to companies are not available to the Corporation. The Corporation has suffered immense losses till date. However, it is continuing its recovery functions. The Government has been moved to make the loan advanced to the Corporation interest-free, which is under consideration. Corporation, being a statutory body, thus prepares accounts on "going concern" assumption and it is appropriate under the aforesaid circumstances.

**(10) EARNINGS PER SHARE**

Basic & diluted earnings per share

Particulars	2019-20	2018-19
	Rs.	Rs.
Earning attributable to equity shareholders (Rs.) (A)	(1,17,43,90,440)	(1,14,86,54,640)
Weighted average number of shares outstanding (B)	89,114,000	89,114,000
Basic & Diluted EPS (Rs.) [(A) / (B)]	<b>(13.18)</b>	<b>(12.89)</b>

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share. Basic and diluted earnings per share are calculated by dividing the net loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

**GENERAL DISCLOSURES:-**

(i) Corporation was directed by Oral Order dated 25<sup>th</sup> March, 2010 by Hon'ble High Court of Gujarat in Letters Patent Appeal No. 517 of 2000 of Neetaben U Chokshi, Through PO Falgunbhai Patel Versus GSFC that the appellant shall deposit Rs.20.25 lakh with the first respondent which the first respondent will keep it in separate interest bearing account. Accordingly, the appellant deposited Rs.20.25 with the Corporation which was placed with Corporation Bank as Fixed Deposit on 19<sup>th</sup> April, 2010 for a term of one year. The maturity sum of the deposit was renewed from time to time. The amount shall be kept as fixed deposit till further orders from Hon'ble High Court of Gujarat. The amount of deposit together with capitalized interest is shown as "Other Assets" in Note-9 and as "Other Liabilities & Provisions" under Note-4 as contra entries.



(ii) Corporation was considering Inter Corporate Deposit (ICD) with GSFS Ltd as Cash & Bank Balances keeping in view the fact that it is readily convertible to a known amount of cash and be subject to an insignificant risk of change in value. In compliance with the observation of Office of the Accountant General (E&RSA), Gujarat, ICD of Rs.1,52,14,84,441/- for the year under reference (previous year Rs.139,32,17,035/-) has been considered as Cash flow from Investing Activity and included in Note 6 – Investments (at cost) instead of Cash & Bank Balances in Note 5. As a result of the said change, Bank Balances with Scheduled Banks in Note 5 has been shown at Rs.1,17,00,288/- (previous year Rs.1,26,78,057/-) and Investments (net) at Rs.1,53,10,48,282/- (previous year Rs.1,41,06,58,091/- ).

### Signatories to Notes “1” to “15”

FOR AND ON BEHALF OF THE BOARD,

**(M.R. Malpani)**  
Executive Officer (A/cs.)

**(Raveendran Nair)**  
Secretary (Board)

**(Ravindran A.L.)**  
Director

**(Rahul Gupta, IAS)**  
Managing Director

As per our Report of even date  
FOR PRIYAM R SHAH & ASSOCIATES  
CHARTERED ACCOUNTANTS  
ICAI Firm Reg. No. : 118421W

MITESH M NAGAR  
PARTNER  
Membership No. 173787

PLACE : AHMEDABAD  
DATED : 29/06/2020

PLACE : GANDHINAGAR  
DATED : 29/06/2020





**E. Particulars of accounts restructured: Nil**

<b>F. Movement in net NPA's</b>	<b>Amount (In crore)</b>
Opening Balance of Net Npa's	415.39
Closing Balance of Net NPA's	409.42
Movement in Net NPA's	-5.97

**G. Credit Exposure as percentage to capital fund and as percentage to total assets in respect of**

<b>credit exposure as a percentage of</b>	<b>Capital Funds (Rs. in crore)</b>	<b>Total Assets %</b>
The largest single borrower	2.37	0.08
The largest single group	5.71	0.19
The 10 largest single borrower	31.87	1.07

**H. Credit Exposure to the five largest industrial sector as percentage to total Loan Assets Industriewise gross sanction/disbursement/outstanding as on 31.03.2020**

(Amount in Cr.)

<b>Industry</b>	<b>Sanction FY 2019-20</b>	<b>Disb. FY 2019-20</b>	<b>Principal O/S as on 31.03.20</b>	<b>Ind. Wise O/S %</b>
Chem & Chemical F	0	0	68.18	16.65
Textiles	0	0	54.01	13.19
Food Mfg.	0	0	29.55	7.22
Plastic Ind.	0	0	25.16	6.06
Service	0	0	4.12	1.01
<b>Total</b>	<b>0</b>	<b>0</b>	<b>181.02</b>	<b>44.13</b>

**I. Liquidity**

<b>items</b>	<b>Less than OR equal 1 Year</b>	<b>More than to 1 Year Upto 3 Years</b>	<b>More than to 3 Year Upto 5 Years</b>	<b>More than to 5 Year Upto 7 Years</b>	<b>More than to 7 Year Upto 10 Years</b>	<b>More than 10 years</b>	<b>Total</b>
Total Assets	409.42	0.00	0.00	0.00	0.00	0.00	409.42
Liabilities foreign currency	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liabilities	620.12	1.25	0.00	0.00	0.00	0.00	621.37

**I. Operating results**

	<b>For the Year Ended 31st March, 2020</b>	<b>For the Year Ended 31st March, 2019</b>
(A) Interest income as a percentage to average working funds =	1.49%	1.87%
(B) Non-Interest income as a percentage to average working funds =	7.94%	7.80%
(C) Operating Loss as a percentage to average working funds =	-82.02%	-88.15%
(D) Return on Average Assets Employed =	-82.27%	-88.46%
(E) Net loss per employee (Rs. Crore)	2.80	2.34





GUJARAT STATE FINANCIAL CORPORATION													
PERFORMANCE OF THE CORPORATION AT A GLANCE DURING THE LAST DECADE													
Sr.No	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	(Rs in Crore)	
1	2	3	4	5	6	7	8	9	10	11	12	Since inception	13
(A)	Assistance												
	1. Flow of Applications Term Loans	No.	----	----	----	----	----	----	----	----	----	61756.00	
		Rs.	----	----	----	----	----	----	----	----	----	5385.60	
	2. Loan Sanctioned												
	a. Term Loan	No.	----	----	----	----	----	----	----	----	----	46646.00	
		Rs.	----	----	----	----	----	----	----	----	----	3732.10	
	b. Lease Finance	No.	----	----	----	----	----	----	----	----	----	41	
		Rs.	----	----	----	----	----	----	----	----	----	28.62	
	c. Short Term Finance	No.	----	----	----	----	----	----	----	----	----	299	
		Rs.	----	----	----	----	----	----	----	----	----	219.48	
	d. Line of Credit	No.	----	----	----	----	----	----	----	----	----	11	
		Rs.	----	----	----	----	----	----	----	----	----	80.00	
	e. Bill discounting	No.	----	----	----	----	----	----	----	----	----	130	
		Rs.	----	----	----	----	----	----	----	----	----	227.96	
	f. Working Capital Term Loan	No.	----	----	----	----	----	----	----	----	----	225	
		Rs.	----	----	----	----	----	----	----	----	----	174.73	
	g. N.H.F.D.C.	No.	----	----	----	----	----	----	----	----	----	1113	
		Rs.	----	----	----	----	----	----	----	----	----	4.36	
	h. Fund Based Merchant Banking Activity	No.	----	----	----	----	----	----	----	----	----	20	
		Rs.	----	----	----	----	----	----	----	----	----	26.29	
	i. Small Scale Units (SSI)	No.	----	----	----	----	----	----	----	----	----	45170	
		Rs.	----	----	----	----	----	----	----	----	----	3000.59	
	j. Backward District	No.	----	----	----	----	----	----	----	----	----	18168	
		Rs.	----	----	----	----	----	----	----	----	----	1482.14	
	k. Backward Talukas	No.	----	----	----	----	----	----	----	----	----	9759	
		Rs.	----	----	----	----	----	----	----	----	----	1574.47	
	l. Rural Areas	No.	----	----	----	----	----	----	----	----	----	13599	
		Rs.	----	----	----	----	----	----	----	----	----	1935.50	
	m. Tribal Area/Talukas Pockets	No.	----	----	----	----	----	----	----	----	----	4479	
		Rs.	----	----	----	----	----	----	----	----	----	652.30	



Sr.No.	Particulars	(Rs in Crore)											
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Since Inception	
1	2	3	4	5	6	7	8	9	10	11	12	13	
	3. Disbursement												
	a. Term Loan	Rs.	----	----	----	----	----	----	----	----	----	2748.92	
	b. Lease Finance	Rs.	----	----	----	----	----	----	----	----	----	23.14	
	c. Short Term Finance	Rs.	----	----	----	----	----	----	----	----	----	187.49	
	d. Line of Credit	Rs.	----	----	----	----	----	----	----	----	----	65.79	
	e. Bill discounting	Rs.	----	----	----	----	----	----	----	----	----	200.72	
	f. Working Capital Term Loan	Rs.	----	----	----	----	----	----	----	----	----	154.42	
	g. Fund Based Merchant Banking Activity	Rs.	----	----	----	----	----	----	----	----	----	11.52	
	h. N.H.F.D.C.	Rs.	----	----	----	----	----	----	----	----	----	12.31	
	<b>4. Recovery</b>												
	a. Term Loan	Rs.	29.72	28.45	26.14	21.58	12.51	12.74	6.53	7.61	10.86	7.92	3496.80
	b. Lease Finance	Rs.	----	----	----	----	----	----	----	----	----	----	14.64
	c. Short Term Finance	Rs.	----	----	----	----	----	----	----	----	----	----	208.16
	d. Line of Credit	Rs.	1.28	----	----	----	----	----	----	----	----	----	60.53
	e. Bill discounting	Rs.	----	0.02	3.01	3.29	0.24	2.31	----	----	----	----	209.99
	f. Working Capital Term Loan	Rs.	1.89	3.21	5.40	3.25	0.89	1.79	0.46	1.04	0.54	0.03	116.42
	g. Fund Based Merchant Banking Activity	Rs.	----	0.01	----	----	----	----	----	----	----	----	0.11
	h. N.H.F.D.C.	Rs.	0.02	----	----	----	----	0.02	0.03	0.01	0.31	----	2.16
	5. Loan Outstanding(at year end)	No.	----	----	----	----	----	----	----	----	----	----	----
(B)	<b>Working Results</b>												
	1. Earning												
	a. Interest	Rs.	23.57	26.24	25.06	18.03	7.97	11.67	3.18	6.46	2.42	2.13	
	b. Other Income	Rs.	7.59	3.15	6.35	6.88	6.84	12.01	9.87	8.58	10.12	11.33	



Sr.No	Particulars	(Rs in Crore)												
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20			
1	2	3	4	5	6	7	8	9	10	11	12	13		
2	Expenditure													
a	Interest on bond,deposits & Other Borrowings	Rs.	187.25	220.37	145.71	115.21	118.26	121.09	123.66	125.99	128.05	129.99		
b	Financial Expenses & Commitment Charges	Rs.	0.20	0.05	0.00	0.00	0.00	0.00	0.01	0	0.001	0.00		
c	Persnnel Expenses	Rs.	8.94	12.44	4.33	4.53	5.10	4.08	3.95	3.22	3.00	2.99		
d	Other expenses	Rs.	20.60	32.36	27.37	14.71	11.88	14.88	7.10	3.75	5.16	3.52		
e	Depreciation	Rs.	0.23	0.17	0.20	0.31	0.42	0.43	0.52	0.47	0.41	0.36		
f	Provision against NPA	Rs.	3.90	4.45	-33.04	-15.90	-8.85	-11.81	-4.85	-2.94	-9.20	-5.97		
3	Profit/(Loss) before tax	Rs.	-156.91	-208.68	-113.16	-112.76	-121.64	-104.99	-117.18	-115.53	-114.87	-117.44		
4	Profit/(Loss) after tax	Rs.	-156.91	-208.92	-113.16	-112.79	-121.64	-104.99	-117.18	-115.53	-114.87	-117.44		
(C)	Capital & Resources ( as at the end of)													
1	Paid up capital	Rs.	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11		
2	Share Forfeited	Rs.	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60		
3	Reserves	Rs.	273.36	(1640.60)	(1753.77)	(1866.55)	(1961.36)	273.37	273.37	273.37	273.37	273.37		
4	Borrowings	Rs.	665.09	661.69	661.69	661.69	661.68	661.68	661.68	661.68	661.68	661.68		
a	Market Bonds	Rs.	4.20	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
b	Govt. Loan	Rs.	617.17	621.37	621.37	621.37	621.37	621.37	621.37	621.37	621.37	621.37		
c	SIDBI Loan	Rs.	---	---	---	---	---	---	---	---	---	---		
d	Refinance	Rs.	---	---	---	---	---	---	---	---	---	---		
e	Fixed Deposits	Rs.	---	---	---	---	---	---	---	---	---	---		
f	Line of Credit from Banks	Rs.	---	---	---	---	---	---	---	---	---	---		
g	Priority Sector Bond	Rs.	3.02	1.10	0.00	---	---	---	---	---	---	---		
h	Loan from NHFDC	Rs.	0.37	---	---	---	---	---	---	---	---	---		
i	Short Term Loan GIDC	Rs.	---	---	---	---	---	---	---	---	---	---		



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