



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 Email: sec-cell-gsfc@gujarat.gov.in

GSFC/SEC.CELL/C-2/

August 21, 2019

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

Sub: **Annual Report for FY 2018-19**

Ref: **Stock Code: 532160**

Dear Sirs,

Pursuant to Regulation 34 (1) (a) of SEBI (LODR) Regulations, 2015, please find attached herewith the Annual Report of the Corporation for Financial Year 2018-19 containing Notice of the Annual General Meeting and other documents as stipulated under Regulation 34 (2) of the said Regulations. The said Annual Report sent to the members has been uploaded on the website of the Corporation viz. www.gsfc.gujarat.gov.in

Thanking you,

Yours faithfully,
for Gujarat State Financial Corporation,


Secretary (Board)

59th
Annual Report
2018-19



**GUJARAT STATE
FINANCIAL CORPORATION
GANDHINAGAR**



BOARD OF DIRECTORS

(As on 30th June, 2019)

❖ Chairman ❖

Shri Manoj Kumar Das, IAS

❖ DIRECTORS ❖

**Shri Kamleshbhai K Patel
Shri Pushkar Mishra
Shri K R Balasubramaniyan**

❖ MANAGING DIRECTOR ❖

Smt. Mamta Verma, IAS

❖ SECRETARY (BOARD) ❖

Raveendran Nair

❖ AUDITORS ❖

**M/s. Priyam R Shah & Associates
Chartered Accountants, Ahmedabad**

❖ HEAD OFFICE ❖

**Block No. 10, 1st Floor, Sector-11, Udyog Bhavan,
Gandhinagar-382 010**

❖ REGIONAL OFFICES AT ❖

Gandhinagar, Surat & Rajkot



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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 59th Annual General Meeting of the shareholders of the Corporation will be held on **Friday, the 20th September, 2019 at 11.30 a.m. in the Office of the Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector – 11, Gandhinagar 382 010** to transact the following business:

- (i) To receive, consider and adopt the audited financial statements of the Corporation for the Financial Year ended 31st March 2019 including the Balance Sheet as at March 31, 2019, 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,

Place : Gandhinagar

(MAMTA VERMA, IAS)

Date : 11-07-2019

MANAGING DIRECTOR

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 59th Annual General Meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE CORPORATION.
3. **No proxy shall be valid unless it is duly stamped and unless it together with the power of attorney or other authority, if any, under which it is signed or a copy of that power of authority certified by a notary public or Magistrate, is deposited at the Head Office of the Corporation not less than 7 clear days before the date fixed for the meeting.**
4. Pursuant to Regulation 12 of the GSFC General Regulations, the Register of Members



and Share Transfer Books will **remain closed from 18.09.2019 to 20.09.2019 (both days inclusive)**.

5. Shareholders seeking any information with regard to accounts are requested to write to the Corporation at least 10 days before the meeting so as to enable the management to keep the information ready.
6. Members are requested to bring their copy of Annual Report at the meeting.
7. Members holding the shares in physical mode are requested to notify immediately the change of their address and e-mail id to the R & T Agent of the Corporation. In case shares held in dematerialized form, the information regarding change of address and e-mail id should be given to their respective Depository Participant.
8. **Disclosure under Regulation 36(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

Appointment or re-appointment of statutory auditors is governed by Section 37 (1) of the State Financial Corporations Act, 1951 according to which the accounts of the Corporation shall be audited by auditors duly qualified to act as the auditors under sub-section (1) of section 141 of the Companies Act, 2013 who shall be appointed by the Financial Corporation in general meeting of shareholders out of the panel of auditors approved by the Reserve Bank of India for such terms and on such remuneration as the Reserve Bank may fix. The terms and conditions for appointment prescribed by Reserve Bank of India inter alia stipulates that in the normal course, an audit firm may continue for a term of four (4) years in one spell. The appointment will, however, have to be made on an annual basis subject to the firm fulfilling the eligibility norms prescribed by the RBI from time to time and also subject to its suitability. The eligibility of the firms is to be confirmed from RBI before making re-appointment. Pursuant to letters dated April 3, 2018 and May 8, 2018 of RBI confirming suitability and eligibility, M/s. Priyam R Shah & Associates, Chartered Accountants, Ahmedabad, Firm Registration No. 118421W, were appointed as statutory auditors from the conclusion of 58th Annual General Meeting till conclusion of 59th Annual General Meeting at a fee of Rs.81,000/- plus taxes, TA/HA and 12% of the basic audit fee for obtaining certifications. The said firm has agreed to continue for the second term on same terms and conditions and fees. RBI, vide letter dated April 25, 2019, confirmed the eligibility and suitability of the said firm for re-appointment as statutory auditors of the Corporation for the year 2019-20 for the second year. In view of this, it is recommended to re-appoint M/s. Priyam R Shah & Associates, Chartered Accountants as the statutory auditors for the second term.

9. **Instructions for shareholders voting electronically are as under:-**

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) as an alternative in respect of the business to be transacted at the 59th Annual General Meeting to be held on 20.09.2019. The e-voting facility is available at the link www.evotingindia.com. Pursuant to Regulation 28-B of GSFC General Regulations, **the cut-off date for the purpose of voting is 22nd March, 2019.**

The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall



be able to exercise their right at the meeting through ballot paper. 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 voting period begins on **Tuesday, the 17th September, 2019 at 9.00 a.m.** and ends on **Thursday, the 19th September, 2019 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 22nd March, 2019**) may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) 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.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
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">• Members who have not updated their PAN with the Corporation/Depository Participant are requested to use the 10 digits Sequence Number in the PAN Field. The Sequence Number is printed on address sticker.
Dividend Bank Details OR 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">• 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 (iv).

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



- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of GUJARAT STATE FINANCIAL CORPORATION.
- (xii) 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.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) 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.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvii) 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.
- (xviii) Shareholders can also use Mobile app - “m-Voting” for e-voting . Shareholders may log in to m-Voting using their e-voting credentials to vote for the Corporation resolution(s).
- (xix) **Note for Non – Individual Shareholders and Custodians**
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details, user would 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 and on approval of the accounts they would 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.
- (xx) **In** case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
- (xxi) Kindly note that once you have cast your vote, you cannot modify or vote on poll at the Annual General Meeting. However, you can attend the meeting and participate in the discussions, if any.
- (xxii) Mr. Kiran Kumar Patel, Practicing Company Secretary of M/s. KK Patel & Associates, Gandhinagar, Gujarat (Membership No. FCS 6352) has been appointed as the Scrutinizer to scrutinize the e-voting and poll process in the AGM in a fair and transparent manner.



- (xxiii) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of “Ballot Paper”/Polling Paper” for all those members who are present at the AGM but have not cast their vote by availing the facility of e-voting.
- (xxiv) The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast in the meeting and thereafter unblock the votes cast through e-voting in the presence of at least two witnesses who are not in the employment of the Corporation and shall make, not later than forty-eight hours of the conclusion of the AGM, a consolidated Scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- (xxv) The results of voting on the above resolutions shall be declared not later than 48 hours from the conclusion of the Annual General Meeting of the Corporation. The results declared along with the Scrutinizer’s Report will be made available on the Corporation’s website and on the website of Central Depository Services (India) Limited the same shall be simultaneously communicated to BSE Ltd.
- (xxvi) 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,

Your Directors have great pleasure in presenting the 59th Annual Report of the Corporation together with the audited accounts for the year ended 31st March, 2019.

1. Economic Scenario:

The Indian economy is the fastest growing major economy and is projected to grow faster in the coming years. The country witnessed its best phase of macro-economic stability during the last few years. From being 11th largest economy in the world in 2013-14, India today is the sixth largest in the world. Besides generating high growth rate, India contained double digit inflation and restored fiscal balance. The average inflation rate reduced to 4.6 per cent. India moved up by 23 places in the World Bank's Ease of Doing Business Index 2018 and got 77th rank. Driven by favourable global conditions and commodity prices, the past five years have been fortunate for the Indian macro-economy. Inflation has been brought under control as a partial consequence of these global factors and the easy availability of global capital has helped finance the current account deficit. Easy inflation and low commodity prices have flattered the fiscal deficit, allowing the government to avoid painful belt-tightening. The government has kept growth alive through its spending. The current account deficit as ratio to gross domestic product is likely to have fallen in the January-March quarter of FY 2019 which would limit the leakage of growth impulse from the economy, while fiscal deficit has been gliding down to the targeted 3 per cent. An increase in foreign exchange reserves in Quarter 4 of FY 2019 on account of an improvement in trade balance has increased the import cover for the economy. Indian economy is expected to grow at 7 per cent in 2018-19, a tad lower from 7.2 per cent, a declining growth of private consumption, weak increase in fixed investment and muted exports are some reasons for the slowdown. The ambitious reform programmes continued by the Government will not only boost consumer sentiment but also help create the conditions for a revival in private investment and exports thereby containing the slowdown.

2. Financial results:

During the year under reference, interest on loans and advances reduced to just 37.61% at Rs.2.43 crore of Rs.6.46 crore reported in the previous year. The decline is due to change in accounting policy adopted by the Corporation in respect of income recognition on NPA accounts. Interest on deposits increased by 13.77% and stood at Rs.9.42 crore as against Rs.8.28 crore a year ago. Provision against NPA written back increased to Rs.9.20 crore during the year under reference, a 312.93% jump over Rs.2.94 crore reported in the previous year as a result of change in accounting policy. Other income also registered an increase of 225.81% at Rs.0.70 crore during the year under report over Rs.0.31 crore reported in the previous year. Total income of the Corporation for the year under reference increased by 21.02% and stood at Rs.21.76 crore compared to Rs.17.98 crore registered in the previous year.

As informed to the members in the previous Reports, Corporation is continuing with austerity measures to reduce the expenditure wherever possible. Personnel expenses



stood at Rs.3.00 crore during the year under reference which is a reduction of 6.83% over Rs.3.22 crore reported in the previous year. Interest on borrowings increased marginally by 1.64% to Rs.128.05 crore over Rs.125.98 recorded in the previous year. Other expenses also increased by 22.40% to Rs.4.59 crore during the year under reference as against Rs.3.75 crore reported in the previous year. Total expenditure for the year under report registered a marginal increase of 2.33% and stood at Rs.136.62 crore compared to Rs.133.51 crore reported in the previous year. Loss for the year under reference reduced marginally and stood at Rs.114.87 crore compared to Rs.115.53 crore reported a year ago. The accumulated loss as on the last day of the report stood at Rs.2,687.30 crore as against Rs.2,572.43 crore recorded in the previous year. Due to loss, no dividend is recommended for the year under reference.

3. Change in Accounting Policy

During the year under reference, Corporation changed its accounting policy for income recognition in case of loanees opted for One Time Settlement. Details of the policy are given in Note 15 under clause (e) at Point No. A (02) Revenue Recognition. As a result of change in policy, receipts are apportioned in the order of principal and capitalized expenses, interest and penalty and other charges.

4. Borrowings:

During the year under report, no borrowing was resorted to by the Corporation. Borrowings remained static at Rs.661.68 crore payable to Government of Gujarat.

5. Recovery:

Corporation is focusing its operation on recovery of dues. As a measure to attract defaulting units, Corporation continued to operate liberal One Time Settlement Schemes for various loans so as to maximize recovery and reduce NPA. Relentless efforts made by the Corporation yielded results and the recovery of dues during the year surpassed the target of Rs.10.00 crore fixed by the Corporation registering an increase of 17.11% at Rs.11.71 crore. Compared to recovery of previous year of Rs.8.66 crore, the growth in the year under report is 35.22%.

6. Human Resource:

During the year under report, 6 employees have retired on attaining the age of superannuation and an employee resigned from the services of the Corporation. The staff strength on the pay-roll of the Corporation declined to 49 on the last day of the year under report as against 56 reported in the previous year. The break-up of staff strength is as under:-

Sr. No.	Category	Total
1	'A' Grade officers	4
2	'B' Grade employees	36
3	'C' Grade employees	9
Total		49



Of the 49 staff, two are on loan service and 16 are on deputation with other Government departments. The effective staff strength of the Corporation stood at 31 spread over three Regional Offices and Head Office.

7. 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.

8. Auditors:

M/s. Priyam M Shah & Associates, Chartered Accountants (FRN/Mem. No. 118421W), were appointed as the statutory auditors of the Corporation to hold office from the conclusion of 58th Annual General Meeting till the conclusion of next Annual General Meeting by the members at the AGM held on 14th September, 2018 in conformity with 37 (1) of SFCs Act, 1951. Since M/s. Priyam R Shah & Associates are eligible for re-appointment and Reserve Bank of India confirmed their eligibility and suitability of re-appointment, proposal to re-appoint the said auditors as recommended by the Board is placed before the shareholders at the ensuing Annual General Meeting.

The statutory auditors have submitted their Independent Auditor's Report on the financial statements of the Corporation for the year ended 31st March, 2019 which contains qualifications. Qualifications and Management's views on it are given in Addendum to this Report and also form part of the Annual Report.

9. Board of Directors:

Government of Gujarat in Finance Department, vide Office Order dated 26th December, 2018, nominated Shri Kamleshbhai K Patel, Deputy Secretary (Pension), Finance Department as Director on the Board of Directors of the Corporation in place of Shri Hurbert Christian, Financial Advisor (Ind.). Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief resume of Shri Kamleshbhai K Patel is furnished in the Corporate Governance Report attached to this Report.

The Board places on record its appreciation for the valuable services rendered by Shri Hurbert Christian during the tenure as Director as well as Member of Audit Committee and Chairman of Stakeholders Relationship Committee.

10. 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 31st March, 2019 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 31st March 2019 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 31st March, 2019; 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 31st March, 2019.

11. Acknowledgement:

The Board places on record its gratitude to the Government of Gujarat and its various departments for their valuable guidance and support extended to the Corporation. The Board also places on record its appreciation for the cooperation and support received from Small Industries Development Bank of India, Mumbai and Ahmedabad offices. The Board wishes to place on record its sincere appreciation for the assistance and guidance provided by the Directors during the course of the year. The Board also expresses its gratitude to the stakeholders for their confidence reposed in the Corporation. The Board is also thankful to commercial banks, valued customers and other forums for rendering support to the Corporation. Finally, the Board would like to place on record its appreciation to the contribution made by officers and staff at all levels.

Place : Gandhinagar

Date : 20-05-2019

For and on behalf of the Board of Directors,

(Mamta Verma, IAS)

Managing Director

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 31st March, 2019.

Place: Gandhinagar

Dated: 08-05-2019

(Mamta Verma, 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 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 reconciled with other authorities also 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 the beginning of current financial year from 1st April, 2018, 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 written back of NPA, bad debt provision and any other item of financial results could not be ascertained.



Till 31st 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 changed from 1st April, 2018 and now receipts are first accounted for Principal and capitalized expenses and thereafter in the order of interest, penalty and other charges. As a result of adoption of the said accounting policy, interest income decreases and write back of NPA provisions increases correspondingly in settlement of NPA accounts from 1st April, 2018. Once the OTS accounts prior to 1st 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. Efforts are still on to reconcile the accounts.

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.

Point No. (f) The Corporation provides liability in respect of Gratuity and Leave Encashment on the cash basis. The effect of Gratuity and Leave Encashment liability to be recognized on mercantile basis as compared to cash basis is not ascertainable

Corporation operates Group Insurance Policies with LIC of India to cover the liabilities on account of leave encashment in full and for Gratuity upto Rs.10.00 lakh. The premium to LIC on both counts is paid annually. Due to increase in maximum ceiling limit of gratuity with effect from 29th March, 2018 from Rs.10.00 lakh to Rs.20.00 lakh, Corporation has taken action under Section 48 of the SFCs Act, 1951 to amend GSFC (Payment of Gratuity to Employees) Regulations, 1964. Pending consultation with SIDBI and previous sanction of State Government to the amendment, Corporation has provided for differential amount of gratuity in respect of retired employees. Thus, Corporation continued with its consistently followed policy of recognizing liabilities on account of gratuity and leave encashment on cash basis.



MANAGEMENT DISCUSSION AND ANALYSIS

I. (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. The micro, small and medium enterprises (MSMEs) has been accepted as the engine of economic growth and for promoting equitable development. The labour intensity of the sector is much higher than that of large enterprises. The MSMEs play a vital role in the overall growth of industrial economy of the country. 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. Post-liberalization, operations of most of the SFCs have reduced over the years owing to a large amount of money blocked in as NPAs and inability to withstand the competition from banks and other financial institutions. Corporation's fortune was also dwindled and as a result, Corporation was compelled to discontinue the main functions of sanction and disbursement since FY 2001-02.

(b) Opportunities and Threats

MSMEs are the backbone of the Indian economy. It acts as a breeding ground for entrepreneurs to grow from small to big. MSMEs, being less capital intensive, one of the biggest employment generating sector and effective tool for promotion of balanced regional development, SFCs played a vital role by extending financial assistance to them. Gujarat being one of the most industrialized States in the country, there is no dearth for opportunities to the Corporation. Notwithstanding the fact that ample opportunities are available, Corporation is not in a position to exploit the opportunity owing to variety of circumstances. Corporation turned into red, mounted with 100% NPA and net-worth eroded long back. Corporation is not in a position to mobilize resources and to cater to the requirements of industry in the present circumstances.

(c) Segment-wise performance:

Corporation is operating in a single segment viz. financial institution. Since the main functions have been discontinued, it is engaged in recovery function only for the last seventeen years. During the year under reference, Corporation's recovery of dues increased by 35.22% and stood at Rs.11.71 crore over Rs.8.66 crore reported in the previous year.

(d) Outlook:

In the present scenario, vast opportunities are available for development of MSMEs particularly schemes like Make in India, Digital India initiative, start-up etc., are encouraged vigorously. Corporation is contemplating to revive its main activities in the near future for which the road map is being drawn.



(e) Risks and concerns:

Corporation is not free from various risks associated with the business. As reported in previous occasions, the areas serviced by the Corporation are being serviced by Banks and other financial institutions including Non-Banking Financial Companies thereby increasing competition resulting into declining the fortunes of SFCs. Moreover, new customized and innovative financing schemes are being created by Banks and other financial institutions to attract MSMEs. On the other hand, SFCs are struggling to mobilize resources and to attract customers with various schemes. To make matter worse, the Loan Asset Portfolio of the Corporation has turned into 100% Non- Performing Assets. Recovery from NPA, accumulated from the past, requires lot of time to be spent and resources in managing these stressed assets. When the loan is not backed by assets, it is practically difficult to recover the dues. Corporation is, thus, facing the risk of losing the amount financed by it.

(f) Internal control system and their adequacy:

The Corporation has proper and adequate system of internal controls proportionate to its size and business. Corporation engaged services of an external firm of Chartered Accountants for internal audit so as to provide timely information to management. The internal control system of the Corporation is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability.

(g) Financial Performance:

(Rs. in Crore)

Particulars	Year ended	
	31/03/2019	31/03/2018
Total Income	21.76	17.98
Interest expenses	128.05	125.98
Other expenses	8.57	7.53
Loss before depreciation & tax	114.46	115.06
Depreciation	0.41	0.47
Loss before tax	114.87	115.53
Loss after depreciation & tax	114.87	115.53
Balance carried over to balance sheet	(2,687.30)	(2,572.43)

(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 49 as on 31st March, 2019 as against 56 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:

Till the financial year 2017-18, the accounting policy followed in case of loanees opted for OTS was that the amount received 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.

The aforesaid policy has been changed with effect from 1st April, 2018 with the approval of Board of Directors at its meeting held on 13th August, 2018 whereby 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 (NDC), the shortfall in principal account, if any, is compensated by write off of the same amount.

The above change was adopted taking into consideration the fact that Corporation has made 100% provision against outstanding principal disbursed. The said treatment is in line with “Prudential Norms on Income Recognition, Assets Classification and Provisioning pertaining to Advances” issued by SIDBI. As a result of change in accounting policy, interest income decreases with corresponding increase in NPA provision written back. Impact of the said change in accounting policy in respect of units opted for OTS during the current financial year and issued NDC is nil in overall financial results.

As a result of change in accounting policy, out of amount of Rs.435.08 lakh received as recovery during the year under reference, only Rs.242.50 lakh has been recognized as interest income and balance amount of Rs.192.58 lakh has been credited to Principal. Therefore, the interest income and outstanding Loans & Advances reduced by Rs.192.58 lakh and write back of NPA provision increased by Rs.192.58 lakh in the financial statements of the year under reference.

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 is governed by Section 10 read with Sections 15 and 17 of the said Act. As on March 31, 2019, the Board comprises of four Directors viz. Chairman nominated by Small Industries Development Bank of India, one Director each nominated by Govt. of Gujarat and Small Industries Development Bank of India and a Director nominated by Government of Gujarat and functioning as ex-officio Managing Director by virtue of holding the position of Industries Commissioner.

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#	1	Nil



2	Smt. Mamta Verma, IAS (as Director from 29.6.2015 and Managing Director from 16.5.2017) Nominated by State Government pursuant to Sections 10 (b) and 17 (1) of SFCs Act, 1951 Executive Director - MD	4	4	Not Present	11\$	3	Nil
3	Shri Hurbert Christian* (From 14.7.2017 to 25.12.2018) Nominated by State Government u/s 10 (b) of SFCs Act, 1951 Non-Executive – Nominee Director	3	3	Present	10	1	1
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	1	1	Not Applicable	2	1	1
5	Shri Pramod Kumar Vijayvargia* (From 25.7.2016 to 7.5.2018) Nominated by SIDBI u/s 10 (c) of SFCs Act, 1951 Non-Executive – Nominee Director	0	0	Not Applicable	1	1	1
6	Shri Pushkar Mishra (From 8.5.2018 onwards) Nominated by SIDBI u/s 10 (c) of SFCs Act, 1951 Non-Executive – Nominee Director	4	3	Not Present	1	1	1

* Ceased to be members of Board of Directors during the year.

including Director on the Board of listed entities of Gujarat Alkalies & Chemicals



Ltd and Chairman of 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. As disclosed in the Directors Reports for the FY 2017-18, Small Industries Development Bank of India, Mumbai, vide letter dated May 08, 2018, nominated on ex-officio capacity the Deputy General Manager, SIDBI, Ahmedabad Branch Office as Director on the Board of the Corporation. Accordingly, Shri Pushkar Mishra became Director on the Board of the Corporation w.e.f. 8th May, 2018 in place of Shri Pramod Kumar Vijayvargia. The resume of the said Director was published in the Directors' Report for the FY 2017-18.
2. In exercise of the powers vested under Section 10 (b) of the State Financial Corporations Act, 1951, Government of Gujarat in Finance Department vide Office Order dated 26th December, 2018 nominated Shri Kamleshbhai K Patel, Deputy Secretary (Pension), as a Director on the Board of the Corporation resulting into ceasing Directorship of Shri Hurbert Christian. Brief resume of Shri Kamleshbhai K Patel, Director, is as under:

Shri Kamleshbhai K Patel, aged 41 years, is a Government of Gujarat nominee on the Board of Directors of the Corporation. He holds dual post graduate degrees in Science and Education. He started his career as a Lecturer and worked in that capacity for a year. He joined Government service in the year 2005 as Section Officer. He was thereafter elevated to the cadres of Under Secretary and Deputy Secretary. Out of 13 years' service with Government of Gujarat, he worked with various departments like Narmada Water Resources & Water Supply Department, Tribal Department and General Administration Department. He is working as Deputy Secretary with Finance Department of Government of Gujarat since last three years where at present he looks after Pension and Treasury matters. He is holding Directorship in two other organizations viz. Gujarat Gopalak Vikas Nigam Ltd and Gujarat Landless Labourers & Halpati Housing Board as Gujarat Government nominee. On his joining the Board of Directors of the Corporation, he also holds the Chairmanship of its Stakeholders Relationship Committee and member of Audit Committee. 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 31st March, 2019, four Board meetings were held on 28th May, 2018, 13th August, 2018, 3rd November, 2018 and 12th February, 2019.

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	No. of meetings	
		Held	Attended
Shri Pramod Kumar Vijayvargia* ¹	Chairman	0	0
Shri Pushkar Mishra	Chairman	4	3
Shri Hurbert Christian* ²	Member	3	3
Shri Kamleshbhai K Patel	Member	1	1
Smt. Mamta Verma, IAS	Member	4	4

*¹ SIDBI, Mumbai, vide letter dated 8th May, 2018, nominated the Deputy General Manager of its Ahmedabad Branch on the Board of the Corporation on ex-officio basis. Accordingly, Shri Pushkar Mishra, Deputy General Manager, SIDBI, Ahmedabad branch assumed the charge of Director of the Corporation with effect from 8th May, 2018 consequent to which he became Chairman of the Audit Committee from that date.

*² Pursuant to Government of Gujarat in Finance Department nominating Shri Kamleshbhai K Patel on the Board of Directors of the Corporation with effect from 26th December, 2018, he also became a Member of the Audit Committee in place of Shri Hurbert Christian.

c) Number of meetings and dates on which held:

During the year 2018-19, four meetings of the Audit Committee were held on 24th May, 2018, 13th August, 2018, 3rd November, 2018 and 12th February, 2019.



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. At present Directors on the Board of the Corporation are not entitled to receive sitting fee. Since Industries Commissioner is the ex-officio Managing Director of the Corporation, no salary or remuneration is drawn from the Corporation. Salary and allowances of employees are linked to such benefits available to State Government employees. 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.
- b) SFCs Act, 1951 or the GSFC General Regulations does not provide for making payments to non-executive directors. Since Corporation does not pay any remuneration to directors, no criteria is required to be fixed.

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. Director representing Finance Department of Government of Gujarat is the Chairman of the Committee. Till 11th February, 2019, the Committee consisted of a Director as Chairman and two officials of the Corporation as members. The Committee was reconstituted vide Board decision dated 12th February, 2019 whereby it now consists of three Directors as under:

Sr. No.	Name of Director	Designation
1	Shri Kamleshbhai K Patel (Director representing Finance Dept.)	Chairman
2	Shri Pushkar Mishra (Director representing SIDBI)	Member
3	Smt. Mamta Verma, IAS (Managing Director)	Member

- b) Name and designation of Compliance Officer: Raveendran Nair, Secretary (Board)
- c) Number of shareholders' complaints received so far :Nil
- d) Number not solved to the satisfaction of shareholders:Not applicable
- 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
2015-16	17-09-2016	5.00 PM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1 st Floor, Sector-11, Gandhinagar
2016-17	19-09-2017	3.00 PM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1 st Floor, Sector-11, Gandhinagar
2017-18	14-09-2018	11.30 AM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1 st Floor, Sector-11, Gandhinagar

- 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 from Ahmedabad.
c) The results are uploaded on the website of the Corporation viz. 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:** Friday, the 20th September, 2019 at 11:30 am in the office of the chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector 11, Gandhinagar 382010



b) **Financial year** : 1st April to 31st March

c) **Dividend payment date** : Not applicable

d) **Listing on Stock-Exchanges** : BSE Ltd
25th Floor,
Phiroz Jeejeebhoy Towers
Dalal Street, Fort
Mumbai 400 001
Listing fee for FY 2019-20 forwarded on
08-04-2019 to BSE Ltd

e) **Stock Code** : 532160

f) **Market price data**

Monthly high and low quotation of shares traded on BSE during Financial Year 2018-19 were as under:

Month	High (Rs.)	Low (Rs.)	Volume
April, 2018	2.62	2.25	9800
May, 2018	2.14	1.86	13300
June, 2018	1.95	1.57	9000
July, 2018	No trading took place		
August, 2018	1.66	1.66	1500
September, 2018	1.65	1.58	7600
October, 2018	1.57	1.57	300
November, 2018	1.56	1.56	4400
December, 2018	1.56	1.49	2000
January 2019	1.70	1.40	11733
February 2019	1.33	1.27	10100
March, 2019	1.21	1.10	16092

g) Since shares are traded infrequently, performance comparison is not attempted.

h) During the year, the securities of the Corporation are not suspended from trading. However, the scrip was placed under Graded Surveillance Method from time to time but came out of it from 14th September, 2018.



i) **Registrar & Transfer Agents**

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

j) **Share Transfer System**

All shareholders/investors matters like transfer, transmission, dematerialization, investor grievances etc., were considered by the Stakeholders Relationship Committee till its reconstitution on 12th February, 2019. The Committee met 22 times during the year under reference. With the reconstitution of the said Committee, a Sub-Committee consisting of Secretary (Board) and Executive Officer (Accounts) has been constituted with effect from 12th February, 2019 delegating authority for expeditiously dealing with all stakeholder matters. The Sub-Committee met six times. The sub-Committee now considers all investor related matters and advises R&T Agents accordingly. 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 files the said certificate with BSE Ltd.

k) **Distribution of shareholding by size as on 31st March 2019**

Shares held	No. of Folios	% holders	Number of shares held	% shares
1 – 500	6559	78.5227	14,55,680	1.6335
501-1000	850	10.1760	7,92,854	0.8897
1001-2000	389	4.6570	6,49,175	0.7284
2001-3000	139	1.6641	3,60,378	0.4044
3001-4000	56	0.6704	2,03,000	0.2278
4001-5000	115	1.3768	5,56,120	0.6241
5001-10000	105	1.2570	8,03,970	0.9022
10001-50000	112	1.3408	23,91,823	2.6840
50001-100000	11	0.1317	8,32,850	0.9346
100001 and above	17	0.2035	8,10,68,150	90.9713
Total	8353	100.00	8,91,14,000	100.00



Distribution of shareholding by ownership as on 31st March, 2019

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

Sr. No.	Particulars of shareholding	No. of shares held (Rs.10/- each)	Percentage share
1	Government of Gujarat		
	“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	Small Industries Development Bank of India		
	“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	Scheduled Banks, Co. Op. Banks, Insurance Cos.		
	“c” Class of shares <i>(issued pursuant to Section 4(3)(c) of SFCs Act, 1951)</i>	4,00,000	0.45
4	Others (Public Shareholders)		
	“d” Class of shares <i>(issued pursuant to Section 4(3)(d) of SFCs Act, 1951)</i>	1,43,03,600	16.05
	T O T A L	8,91,14,000	100.00

l) Dematerialization of shares and Liquidity

Due to restrictions contained in the SFCs Act, 1951, only 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. 1,02,09,940 shares are held in electronic mode as on 31st March, 2019 which consists of 71.38% 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

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 has received letters dated 31st October, 2018, January 31, 2019 and 2nd May, 2019 imposing fine for non-compliance of Regulations 17 (1), 18(1) and 19(1)/19(2) of SEBI (LODR) Regulations, 2015 for the quarters ended 30th September, 2018, 31st December, 2018 and 31st March, 2019. It was brought to the notice of BSE Ltd that Corporation is a body corporate established under State Financial Corporations Act, 1951 and exemption under the proviso to Regulation 15 (2) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 available to it. It was also brought to the notice of BSE Ltd that para-7 of circular dated 3rd May, 2018 provides 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. BSE Ltd, vide email communication dated 11th February, 2019, informed that they are making representation to SEBI and once their guidance is sought on the matter, it 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 2018-19, a declaration to this effect signed by Managing Director forms part of this Report.

e) Disqualifications for being a Director of the Corporation are governed by Section 12 of the SFCs Act, 1951. Since GSFC is not regulated under the Companies Act, 2013, provisions of Section 164 of the said Act are not attracted to the Directors of the Corporation. Hence certificate from Company Secretary in Practice is not required with regard to disqualification of Directors.

f) During the year, Corporation remitted Rs.1,65,200/- to M/s. Manubhai & Shah LLP, Chartered Accountants, statutory auditors towards audit fee and reimbursement of TA/HA for FY 2017-18 and Rs.13,050/- for obtaining Limited Review Certificate to M/s. Priyam R Shah & Associates, Chartered Accountants, Ahmedabad, Statutory Auditors



of the Corporation.

- 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 and keeping in view the fact that there is no provision in SFCs Act, 1951 or the Regulations made thereunder, Corporation has not opted for Secretarial Audit as provided under Regulation 24A of SEBI (LODR) Regulations, 2015 by availing of the exemption granted under the proviso to Regulation 15 (2)(b) of the said Regulations.
11. Corporation has complied with mandatory requirements to the extent that it does not violate the provisions of statute under which it is established.
12. The extent of implementation of non-mandatory requirements is furnished as under:-

	Requirement	Compliance
A	The Board: 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	Shareholder Rights: 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	Modified opinion(s) in audit report: The listed entity may move towards a regime of financial statements with unmodified audit opinion	The audit opinions are of technical in nature. Corporation is making efforts to overcome the lacuna wherever possible.
D	Reporting of internal auditor	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.

- D. Declaration regarding compliance of Code of Conduct by the Board members and Senior Management Personnel by the Managing Director forms part of this Report.
- E. Compliance certificate from Shri Kishor Dudhatra, Practicing Company Secretary, regarding compliance of conditions of corporate governance is also forming part of this Report.
- F. 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 Shriromani 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, 2019, 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 31st October 2018 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ Sept- 18/532160/960/2018-19, dated 31st January 2019 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ Dec- 18/532160/1093/2018-19 & dated 2nd May 2019 vide letter No. LIST/COMP/Reg. 27(2) & Reg. 17 to 21/ March- 19/532160/37/2019-20, 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 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 exemption pursuant to Proviso of Regulation 15(2) (b) 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.





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 violative 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: 07.05.2019

Place: Ahmedabad



ANSHOR DUDHATRA
PRACTICING COMPANY SECRETARY
FCS NO. 7236 C.P. No. 3959



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, 2019, 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 current financial year from 1st April, 2018, 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.*
- f. *The Corporation insured its liability of Gratuity and Leave Encashment through policy obtained from Life Insurance Corporation (LIC) of India and claims expense of premium paid in the quarter in which it is paid. Though there is no liability other than premium payable to LIC, corporation is making provision for the differential amount due to increase in ceiling limit of Gratuity. This is not in accordance with GAAP.*

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**

Place: Ahmedabad
Date: May 20, 2019

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



GUJARAT STATE FINANCIAL CORPORATION

BALANCE SHEET AS AT 31ST MARCH, 2019

Particulars	Note. No.	As at 31st March 2019	As at 31st March 2018
CAPITAL/LIABILITIES		₹	₹
SHARE CAPITAL	1	891,140,000	891,140,000
SHARE FORFEITED	1-A	46,048,000	46,048,000
RESERVES & SURPLUS	2	2,733,666,913	2,733,666,913
BORROWINGS	3	6,616,842,633	6,616,842,633
OTHER LIABILITIES & PROVISIONS	4	18,116,784,547	16,831,276,046
Total Rs.		28,404,482,093	27,118,973,592
ASSETS			
CASH & BANK BALANCES	5	12,781,332	32,520,492
INVESTMENTS	6	1,410,658,091	1,256,943,994
LOANS & ADVANCES	7	-	-
FIXED ASSETS	8	36,258,728	40,369,524
OTHER ASSETS	9	71,817,895	64,828,174
PROFIT & LOSS ACCOUNT		26,872,966,048	25,724,311,408
Total Rs.		28,404,482,093	27,118,973,592
NOTES TO ACCOUNTS	15		

Notes referred to above and notes attached there to form an integral part of the Financial Statements

FOR AND ON BEHALF OF THE BOARD,

(NS Bhatiya)
Executive Officer(A/cs)

(Raveendran Nair)
Secretary (Board)

(Kamlesh K Patel)
Director

(Mamta Verma, 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: 20/05/2019

PLACE: GANDHINAGAR
DATED: 20/05/2019



GUJARAT STATE FINANCIAL CORPORATION

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	Note. No.	For the Year Ended 31st March, 2019 ₹	For the Year Ended 31st March, 2018 ₹
INCOME			
INTEREST ON LOANS & ADVANCES		24,249,969	64,618,672
INTEREST ON DEPOSITS		94,211,868	82,770,994
PROFIT ON SALE OF ASSETS		52,903	-
PROVISION AGAINST NPA WRITTEN BACK		92,047,248	29,380,041
OTHER INCOME	10	6,997,875	3,056,064
TOTAL INCOME ₹		217,559,863	179,825,771
EXPENDITURE			
INTEREST ON BONDS, DEPOSITS & OTHER BORROWINGS	11	1,280,502,162	1,259,814,982
FINANCIAL EXPENSES & COMMITMENT CHARGES	12	18,279	21,209
PERSONNEL EXPENSES	13	29,989,266	32,248,459
OTHER EXPENSES	14	45,885,162	37,536,332
DEPRECIATION	8	4,106,440	4,666,022
PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS		5,713,195	797,144
TOTAL EXPENDITURE ₹		1,366,214,504	1,335,084,149
NET LOSS FOR THE YEAR		(1,148,654,640)	(1,155,258,378)
ADD: OPENING BALANCE OF PROFIT & LOSS ACCOUNT		(25,724,311,408)	(24,569,053,030)
BALANCE CARRIED FORWARD TO BALANCE SHEET		(26,872,966,048)	(25,724,311,408)
EARNINGS PER SHARE (BASIC AND DILUTED)		(12.89)	(12.96)
NOTES TO ACCOUNTS	15		
Notes referred to above and notes attached there to form an integral part of the Financial Statements			
FOR AND ON BEHALF OF THE BOARD,			
(NS Bhatiya) Executive Officer(A/cs)	(Raveendran Nair) Secretary (Board)	(Kamlesh K Patel) Director	(Mamta Verma, 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: 20/05/2019		PLACE: GANDHINAGAR DATED: 20/05/2019	



GUJARAT STATE FINANCIAL CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	For the Year Ended 31st March, 2019 ₹	For the Year Ended 31st March, 2018 ₹
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss before tax as per Profit & Loss A/c	(1,148,654,640)	(1,155,258,378)
Adjustments :		
Depreciation	4,106,440	4,666,022
Provision for NPA written back		
Diminution/(Reverse Diminution) in Value of Investments	5,713,195	797,144
Profit on sale of Investments	-	-
Profit on Sale of Assets	(52,903)	-
Dividend Income	-	-
Interest Income	(94,273,853)	(82,890,271)
Interest on Finance Cost	-	-
Operating Loss before working capital	(1,233,161,761)	(1,232,685,482)
Adjusted for :		
i) Other Assets	(6,989,721)	6,319,123
ii) Other Liabilities & Provisions	1,285,508,501	1,255,700,744
NET CASH USED FROM OPERATING ACTIVITIES (A)	45,357,019	29,334,384
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (After changes in Capital W-I-P)	(12,239)	-
Sale of Fixed Assets	69,498	-
Decrease in Investments	(159,427,292)	(105,638,815)
Dividend Income	-	-
Interest Income	94,273,853	82,890,271
NET CASH USED FROM INVESTING ACTIVITIES (B)	(65,096,179)	(22,748,544)
C) CASH FLOW FROM FINANCING ACTIVITIES		
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	-	-
Net Increase in Cash & Cash Equivalents (A+B+C)	(19,739,160)	6,585,840
Opening Balance of Cash & Cash Equivalents	32,520,492	25,934,652
Closing Balance of Cash & Cash Equivalents	12,781,332	32,520,492

NOTE: The above Cash Flow is prepared in accordance with Accounting Standard - 3 (indirect method).

FOR AND ON BEHALF OF THE BOARD,

(NS Bhatiya)
Executive Officer(A/cs)

(Raveendran Nair)
Secretary (Board)

(Kamlesh K Patel)
Director

(Mamta Verma, 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: 20/05/2019

PLACE: GANDHINAGAR
DATED: 20/05/2019



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2019

Note : 1 Share Capital

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
1	AUTHORIZED CAPITAL 10,00,00,000 Equity Shares of Rs. 10/- each.	1,000,000,000	1,000,000,000
		1,000,000,000	1,000,000,000
2	ISSUED , SUBSCRIBED & PAID UP CAPITAL		
	A) 8,66,14,000 SHARES (PREVIOUS YEAR 8,66,14,000 SHARES OF Rs.10/- EACH)	866,140,000	866,140,000
	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	25,000,000	25,000,000
	Total in ₹	891,140,000	891,140,000

Note : 1-A Share Forfeited

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
1	SHARE FORFEITED 92,09,600 EACH OF Rs. 10/- (ORIGINALLY PAID UP VALUE ₹ 5/-)	46,048,000	46,048,000
	Total in ₹	46,048,000	46,048,000

Note : 2 Reserves & Surplus

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
A	SPECIAL RESERVE (U/S 36(1)(VIII) OF THE I.T. ACT 1961	643,416,722	643,416,722
B	RESERVE FOR BAD AND DOUBTFUL DEBTS	47,535,006	47,535,006
C	SECURITIES PREMIUM	188,988,000	188,988,000
D	CAPITAL RESERVE - GAIN ON RESTRUCTURING OF PRINCIPAL DEBTS	1,828,727,185	1,828,727,185
E	SPECIAL RESERVE (CREATED U/S.35 A OF THE SFC'S ACT,1951) (DIVIDEND FOREGONE BY GOVT.OF GUJARAT & IDBI)	25,000,000	25,000,000
	Total in ₹	2,733,666,913	2,733,666,913



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2019

Note : 3 Borrowings

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
(a)	LONG TERM BORROWINGS		
	UNSECURED		
	FROM STATE GOVT.FOR MARGIN LOAN TO BALISANA PROJECT	210,000	210,000
	FROM STATE GOVT.SALES TAX INT.FREE LOAN	17,686,346	17,686,346
	SALES TAX INT. FREE DEEMED LOAN (CONTRA)	314,932,320	314,932,320
	FROM STATE GOVT.FOR HERITAGE HOTEL FUND (INTEREST 5%)	10,000,000	10,000,000
	SOFT LOAN FROM GOVT.OF GUJARAT	6,213,680,000	6,213,680,000
	LOAN IN LIEU OF SHARE CAPITAL FROM GOVT OF GUJARAT. (INTEREST 3.5% & 7.5%)	60,333,967	60,333,967
	Total in ₹	6,616,842,633	6,616,842,633

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 2019 ₹	As at 31st March 2018 ₹
	TAX DEDUCTED AT SOURCE PAYABLE	153,543	104,023
	SECURITY DEPOSIT	145,406	145,406
	GST PAYABLE	16,338	-
	UNPAID GUARANTEE FEE	356,039,833	356,039,833
	INTEREST PAYABLE ON BORROWINGS	17,707,753,176	16,427,251,014
	INTEREST PAYABLE ON SECURITY DEPOSITS	57,491	57,491
	UNCLAIMED DIVIDEND	351,048	351,048
	SUBSIDY FROM GOVT.(AS AN AGENCY)	2,059,736,976	2,059,736,976
	LESS :DISBURSED UPTO END OF THE YEAR	(2,042,711,180)	(2,042,711,180)
	OTHER DEPOSITS	13,270,616	6,974,848
	SUNDRIES (OTHER LIABILITIES)	23,057,944	24,230,379
	LESS : STD NO LIEN A/C (CONTRA NOTE -9)	(3,423,557)	(3,240,706)
	SUBVENTION FROM STATE GOVT		
	BALANCE AS PER LAST BALANCE SHEET	166,956,010	166,956,010
	LESS: DIVIDEND DEFICIT A/C	(164,619,096)	(164,619,096)
	Total in ₹	18,116,784,547	16,831,276,046

Note : 5 Cash & Bank Balances

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
A	Cash-on-Hand		
	Cash on hand and as Imprest	103,275	94,577
	Sub Total (A)	103,275	94,577
B	Bank Balance with Scheduled Banks		
	BALANCE WITH BANKS (IN CURRENT ACCOUNTS)	7,606,656	11,654,514
	Others (Deposits with GSFS)		
	LIQUID DEPOSIT WITH GSFS	5,071,401	20,771,401
	GSFS INTER CORPORAT DEPOSIT		
	Sub Total (B)	12,678,057	32,425,915
	Total in ₹ [A + B]	12,781,332	32,520,492



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2019

Note : 6 Investments (At Cost)

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
(i)	SHARES ACQUIRED UNDER UNDERWRITING AGREEMENT U/S 25(1) (C) OF THE SFCs ACT,1951		
	PREFERENCE SHARES,FULLY PAID-UP (UNQUOTED)	740,500	740,500
	A EQUITY SHARES,FULLY PAID (UNQUOTED)	11,484,000	11,484,000
	B EQUITY SHARES, PARTLY PAID (UNQUOTED)	300,000	300,000
(ii)	PREFERENCE SHARES ACQUIRED UNDER SPECIAL CAPITAL SCHEME (2000 Shares of Rs.100/- each fully paid up) (UNQUOTED)	200,000	200,000
(iii)	EQUITY SHARES FULLY PAID (QUOTED)		
	285440(PREVIOUS YEAR 285440) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN IDBI BANK LTD.	23,192,000	23,192,000
	1446470(PREVIOUS YEAR 1446470) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN JAGADIA COPPER LTD.	14,464,700	14,464,700
	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)	6,135,000	6,135,000
	220417(PREVIOUS YEAR 220417) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN SAR AUTO PRODUCTS LTD	2,204,170	2,204,170
	150000(PREVIOUS YEAR 150000) EQUITY SHARES OF RS.10 EACH FULLY PAIDUP IN OMKAR PHARMA LTD	1,500,000	1,500,000
(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)	110,000	110,000
(vi)	GSFS INTER CORPORATE DEPOSIT	1,393,217,035	1,233,789,743
	LESS :		
	INVESTMENT DEPRECIATION PROVIDED	(42,897,324.00)	(37,184,129.00)
	Total in ₹	1,410,658,091	1,256,943,994

Aggregate cost of quoted securities - Rs.47,503,870/-
Market value of quoted securities - Rs.42,264,387/-
Aggregate cost of unquoted securities - Rs.1,40,60,51,545/-

Note: 7 Loans and Advances

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
	PRINCIPAL AMOUNT (TERM LOAN , HIRE PURCHASE & LEASE FINANCE)	4,153,920,218	4,245,967,466
	LESS : PROVISION FOR NPA	(4,153,920,218)	(4,245,967,466)
	Total in ₹	-	-

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, 2019

Note-8 Fixed Assets

(in ₹)

Sr. No.	Particulars	Gross Block			Depreciation			Net Block			
		As on 01-04-2018	Addition during 2018-19	Deduction during 2018-19	Closing Balance as on 31-03-2019	Provided upto 31-03-2018	Writtenback during 2018-19	Provided during 2018-19	Total Depreciation as on 31-03-2019	As on 31-03-2019	As on 31-03-2018
A. OWN ASSETS											
1	Furniture & Fixtures	32,765,331	3,299	-	32,768,630	13,660,735	-	1,910,460	15,571,195	17,197,435	19,104,596
2	Office Equipments	9,627,340	8,940	-	9,636,280	4,690,160	-	741,248	5,431,408	4,204,872	4,937,180
3	Office Vehicles	5,148,293	-	630,279	4,518,014	3,413,604	613,684	257,714	3,057,634	1,460,380	1,734,689
4	Land & Building	39,445,116	-	-	39,445,116	24,887,543	-	1,182,830	26,070,373	13,374,743	14,557,573
5	Computers	23,246,120	-	-	23,246,120	23,210,649	-	14,188	23,224,837	21,283	35,471
	Total in ₹ [A]	110,232,200	12,239	630,279	109,614,160	69,862,691	613,684	4,106,440	73,355,447	36,258,713	40,369,509
B. LEASE ASSETS											
1	Machinery & Equipments	15	-	-	15	-	-	-	-	15	15
	Total in ₹ [B]	15	-	-	15	-	-	-	-	15	15
	Total in ₹ [A] + [B]	110,232,215	12,239	630,279	109,614,175	69,862,691	613,684	4,106,440	73,355,447	36,258,728	40,369,524

Note : 9 Other Assets

Sr. No	Particulars	As at 31st March 2019 ₹	As at 31st March 2018 ₹
1	LOANS & ADVANCES TO EMPLOYEES	675,086	1,652,718
	ADD : INTEREST ACCRUED THEREON	3,561,022	4,729,915
2	CAPITAL SUBSIDY RECEIVABLE	580,971	580,971
3	SUNDRIES	11,203,397	11,613,339
4	LESS : STD ON LIEN A/C (CONTRA NOTE.4)	(3,423,557)	(3,240,706)
5	TDS - FROM INVESTMENT INCOME	659,747	659,747
6	ADVANCE TAX	514,812	514,812
7	INTEREST ACCRUED BUT NOT DUE ON ICD AND LQDS	56,690,129	46,963,235
8	EXCESS TDS DEPOSITED TO BE ADJUSTED AGAINST EXPENSES DEPOSIT FROM LOANEEES	61,288	59,143
		1,295,000	1,295,000
	Total in ₹	71,817,895	64,828,174



GUJARAT STATE FINANCIAL CORPORATION

Notes Forming Part of the Statement of Profit & Loss as at 31st March, 2019

Note : 10 Other Income

Sr. No	Particulars	For the Year Ended 31st March 2019 ₹	For the Year Ended 31st March 2018 ₹
1	BAD DEBTS RECOVERED	4,887,005	1,529,580
2	INTEREST ON LOANS TO EMPLOYEES	61,985	119,277
3	MISCELLANEOUS INCOME	2,048,885	1,407,207
	Total in ₹	6,997,875	3,056,064

Note :11 Interest on Bonds Deposits & Other Borrowings

Sr. No	Particulars	For the Year Ended 31st March 2019 ₹	For the Year Ended 31st March 2018 ₹
1	INTEREST ON GOVT.LOAN	929,292,003	929,292,001
2	INTEREST ON HERITAGE HOTEL FUND LOAN	500,000	500,000
3	INTEREST ON LOAN TOWARDS SHARE CAPITAL	4,111,689	4,111,689
4	INTEREST ON DELAYED PAYMENT ON GOVT.LOANS	346,598,470	325,911,292
	Total in ₹	1,280,502,162	1,259,814,982

Note :12 Financial Charges & Commitment Charges

Sr. No	Particulars	For the Year Ended 31st March 2019 ₹	For the Year Ended 31st March 2018 ₹
1	BANK CHARGES AND COMMISSION	18,279	21,209
	Total in ₹	18,279	21,209

Note: 13 Personnel Expenses

Sr. No	Particulars	For the Year Ended 31st March 2019 ₹	For the Year Ended 31st March 2018 ₹
1	SALARY , BONUS & ALLOWANCES	24,700,546	27,714,156
2	CONTRIBUTION TO STAFF PROVIDEND FUND	3,577,516	3,991,802
3	GRATUITY	1,243,220	67,587
4	LEAVE ENCASHMENT	28,044	32,720
5	STAFF WELFARE EXPENSES	439,940	442,194
	Total in ₹	29,989,266	32,248,459

Note : 14 Other Expenses

Sr. No	Particulars	For the Year Ended 31st March 2019 ₹	For the Year Ended 31st March 2018 ₹
1	TRAVELLING & OTHER ALLOWANCES	746,333	622,336
2	RENT,RATES,TAXES & ELECTRICITY	1,429,633	1,801,773
3	POSTAGE STAMP,TELEGRAMS & TELEPHONE	628,462	745,339
4	PRINTING & STATIONERY	578,470	657,579
5	PUBLICITY & ADVERTISEMENT	128,483	60,688
6	REPAIRS & RENEWALS	987,652	1,434,536
7	LEGAL CHARGES	1,547,537	1,923,787
8	VEHICLES MAINTENANCE EXPENSES	590,985	1,708,876
9	OTHER EXPENSES	5,731,948	5,702,173
10	BAD DEBT WRITTEN OFF	23,899,735	13,989,689
11	COMPUTERISATION EXPENSES	239,734	257,371
12	FUEL AND CONVEYANCE CHARGES	1,630,129	494,017
13	OUTSOURCING CHARGES	-	500,198
14	WEALTH TAX, SERVICE TAX & GST EXPENSES	2,178,431	2,145,215
15	PROFESSIONAL FEES	5,357,051	5,366,255
16	PAYMENT TO AUDITORS'	210,580	126,500
	Total in ₹	45,885,162	37,536,332



NOTE – 15

NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS AND BALANCE SHEET AS AT 31.03.2019

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.

(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. During the year, 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 1st 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 change in accounting policy, out of amount of Rs.434.08 lakh received as recovery during the year under reference, only Rs.242.50 lakh has been recognized as interest income and balance amount of Rs.192.58 lakh has been credited to Principal. Therefore, the interest income and outstanding Loans & Advances reduced by Rs.192.58 lakh and write back of NPA provision increased by Rs.192.58 lakh

(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 Equipments	: 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 30th September and at 50% of the rates for assets acquired after 30th 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. As at March 31, 2019, Corporation provided Rs.11,80,140/- (previous year NIL) under the said account towards the said 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 31st March, 2019 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 proposal for vacation of guarantees are submitted to administrative department. Since there was no Government guaranteed bonds during the previous year, 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.48,87,005/- (Previous year Rs.15,29,580/-) 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.2,04,35,000/- (previous year Rs.2,04,35,000/-).

(iii) Details of Income Tax disputes against which appeals have been preferred are given below. The quantum of disputed tax liability is not ascertainable.

(a) In respect of Assessment Year 2015-16, Corporation has filed appeal before CIT (Appeals) against the Assessment Order dated 15th December, 2017. CIT(A), vide Appellate Order dated 31st May, 2018, decided in favour of the Corporation



and the Assessing Officer has given effect of the order under Section 250 of the Income Tax Act, 1961 on 23rd July, 2018.

(b) Appeals pending before Income Tax Appellate Tribunal:

Assessment Year	Particulars
2000-01	Ascertained bad debt
2002-03	Depreciation
2003-04	Depreciation
2006-07	Waiver of Capital Receipt
2009-10	Cessation of loan liability
2012-13	Ascertained bad debts, addition u/s 14A and u/s 43B
2013-14	Addition u/s 2 (24)(x) read with Section 36 (1)(va)

(c) Matters pending before Hon'ble High Court of Gujarat:

Tax Appeal Nos. 104/2009, 105/2009 and 1903/2009 pending with Hon'ble High Court of Gujarat were disposed off in favour of the Corporation vide order dated 27th June, 2016.

(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.9,20,47,248/- in the current year and shown separately in the Statement of Profit and Loss (Previous year Rs.2,93,80,041/-).



- (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 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 under IBC 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	2018-19	2017-18
	Rs.	Rs.
Earning attributable to equity shareholders (Rs.) (A)	(1,14,86,54,640)	(1,15,52,58,378)
Weighted average number of shares outstanding (B)	89,114,000	89,114,000
Basic & Diluted EPS (Rs.) [(A) / (B)]	(12.89)	(12.96)

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) GIIC has claimed Rs.33,75,000/- towards rent expenses payable in respect of share of Mumbai Office and Mumbai Guest House up to 31st March, 2004 whereas Corporation has made a claim of R.51,70,056/- from GIIC on account of occupation of GSFC's office premises at Rajkot. During the scrutiny of records, it was found that GSFC had increased the rent in respect of the premises occupied by GIIC at Rajkot unilaterally which GIIC has not accepted and that was the bone of contention. On the other hand, GIIC was raising Debit Notes on GSFC towards expenses incurred on maintaining office and Guest House at Mumbai. Had the increase in rent not been taken into consideration, even after adjustment of GIIC dues in full, Corporation was required to pay Rs.80,000/- to GIIC. Since GSFC has not recognized the income or expenditure in its books of accounts and GIIC had already written off the dues receivable from GSFC, it was decided to close the chapter and drop the disclosure.
- (ii) Corporation was directed by Oral Order dated 25th March, 2010 by Hon'ble High Court of Gujarat in Letters Patent Appeal No. 517 of 2000 of Neetaben U Chokshi, Through PO Falgunbahi 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 19th April, 2010. 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 and capitalized interest is shown as "Other Assets" in Note-9 and as "Other Liabilities & Provisions" under Note-4 as contra entries and the disclosure is made in compliance with the observation of Office of the Accountant General (E&RSA), Gujarat.
- (iii) 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.139,32,17,035/- for the year under reference (previous year Rs.1,23,37,89,743/-) 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, Cash & Bank Balances in Note 5 has been shown at Rs.1,26,78,057 (previous year Rs.3,24,25,915/-) and Investments (net) at Rs.1,41,06,58,091/- (previous year Rs.1,25,69,43,994/-).



Signatories to Notes “1” to “15”

FOR AND ON BEHALF OF THE BOARD,

(N S Bhatiya)	(Raveendran Nair)	(Kamlesh K Patel)	(Mamta Verma, IAS)
Executive Officer (A/cs)	Secretary (Board)	Director	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:20/05/2019

PLACE: GANDHINAGAR
DATED: 20/05/2019

Disclosure requirement for SFCs (Financial Year 2018-19)

A. CAPITAL

- (a) Capital to Risk Assets Ratio (CRAR) -2625.54%
 (b) The Amount of subordinated debt raised and outstanding as Tier-II Capital Nil
 (c) Risk weighted assets- separately for on and off balance sheet items -

B. Shareholding pattern as on 31-3-2019

SR NO.	Category	No. of shares held (of Rs.10 each)	Percentage of Shareholding
1	Govt. of Gujarat *	49,090,400	55.09%
2	SIDBI*	25,320,000	28.41%
3	Banks & Insurance Co.	400,000	0.45%
4	Others	14,303,600	16.05%
	TOTAL	89,114,000	100.00%

* Includes special class of shares of 18,00,000 & 7,00,000 held by Govt. of Gujarat & SIDBI

C. Assets quality and credit concentration

(a) Percentage of net NPA's to net loans and advances - 100%

	Amount (Rs. in crore)	Percentage
Net NPA =	415.39	100%
Net Loans & Advanc	0	0

(b) Amount and percentage of net NPA's under the prescribed assets classification categories

	Amount (Rs. in crore)	Percentage
Standard assets	0	0

D. Amount of provision made/written back during the year towards standard assets, NPA's Investment (other than those in the nature of an advance)

SR NO.	Assets	Amount (Rs. in Crore)	NPA Provision Required FY 17-18	NPA Provision Required FY 18-19	Provision (+)/ Write back (-)
1	NPAs		424.60	415.39	-9.20



E. Particulars of accounts restructured: Nil	
F. Movement in net NPA's	Amount (In crore)
Opening Balance of Net Npa's	424.60
Closing Balance of Net NPA's	415.39
Movement in Net NPA's	-9.20

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

credit exposure as a percentage of	Capital Funds (Rs. in crore)	Total Assets %
The largest single borrower	1.78	0.43
The largest single group	4.20	1.01
The 10 largest single borrower	11.79	2.84

H. Credit Exposure to the five largest industrial sector as percentage to total Loan Assets Industriewise gross sanction/disbursement/outstanding as on 31.03.2017

Industry	Sanction FY 2018-19	Disb. FY 2018-19	Principal O/S as on 31.03.19	(Amount in Cr.)	
				Ind. Wise O/S %	%
Chem & Chemical P	0	0	68.96		16.60
Textiles	0	0	54.34		13.08
Food Mfg.	0	0	30.13		7.25
Plastic Ind.	0	0	25.16		6.06
Service	0	0	4.12		0.99
Total	0	0	182.71		43.99

I. Liquidity

items	Less than OR equal 1 Year	More than to 1 Year Upto 3 Years	Sanction FY 2018-19	Disb. FY 2018-19	Principal O/S as on 31.03.19		Ind. Wise O/S %		
					More than to 3 Year Upto 5 Years	More than to 5 Year Upto 7 Years	More than to 7 Year Upto 10 years	More than Total	
Total Assets			415.39	0.00	0.00	0.00	0.00	0.00	415.39
Liabilities foreign currency			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liabilities			614.45	6.92	0.00	0.00	0.00	0.00	621.37



	For the Year Ended 31st March, 2019	For the Year Ended 31st March, 2018
(A) Interest income as a percentage to average working funds =	1.87%	11.79%
(B) Non-Interest income as a percentage to average working funds =	7.80%	10.52%
(C) Operating Loss as a percentage to average working funds =	-88.15%	-105.57%
(D) Return on Average Assets Employed =	-88.46%	-106.01%
(E) Net loss per employee (Rs. Crore)	2.34	1.59

I. Operating results

- (A) Interest income as a percentage to average working funds =
- (B) Non-Interest income as a percentage to average working funds =
- (C) Operating Loss as a percentage to average working funds =
- (D) Return on Average Assets Employed =
- (E) Net loss per employee (Rs. Crore)



GUJARAT STATE FINANCIAL CORPORATION
PERFORMANCE OF THE CORPORATION AT A GLANCE DURING THE LAST DECADE

Sr.No.	Particulars	(Rs in Crore)											
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Since Inception	
1	2	3	4	5	6	7	8	9	10	11	12	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. Tribe Area/Talukas Pockets	No.										4479	
		Rs.										652.30	



Sr.No.	Particulars	(Rs in Crore)											
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	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	
	4. Recovery												
	a. Term Loan	Rs. 27.22	29.72	28.45	26.14	21.58	12.51	12.74	6.53	7.61		3478.02	
	b. Lease Finance	Rs. ----	----	----	----	----	----	----	----	----	----	14.64	
	c. Short Term Finance	Rs. ----	----	----	----	----	----	----	----	----	----	208.16	
	d. Line of Credit	Rs. 0.53	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. 7.39	1.89	3.21	5.40	3.25	0.89	1.79	0.46	1.04		115.85	
	g. Fund Based Merchant Banking Activity	Rs. ----	----	0.01	----	----	----	----	----	----	----	0.11	
	h. N.H.F.D.C.	Rs. 0.08	0.02	----	----	----	----	0.02	0.03	0.01		1.85	
	5. Loan Outstanding(at year end)	No. ----	----	----	----	----	----	----	----	----	----	----	
(B)	Working Results												
	1. Earning												
	a. Interest	Rs. 27.11	23.57	26.24	25.06	18.03	7.97	11.67	3.18	6.46		2.42	
	b. Other Income	Rs. 9.34	7.59	3.15	6.35	6.88	6.84	12.01	9.87	8.58		10.12	



(Rs in Crore)

Sr.No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
1	2	3	4	5	6	7	8	9	10	11	12	13
2	Expenditure											
a	Interest on bond, deposits & Other Borrowings	Rs. 161.44	187.25	220.37	145.71	115.21	118.26	121.09	123.66	125.99	128.05	
b	Financial Expenses & Commitment Charges	Rs. 0.61	0.20	0.05	0.00	0.00	0.00	0.00	0.01	0	0.001	
c	Personnel Expenses	Rs. 2.82	8.94	12.44	4.33	4.53	5.10	4.08	3.95	3.22	3.00	
d	Other expenses	Rs. 13.93	20.60	32.36	27.37	14.71	11.88	14.88	7.10	3.75	4.59	
e	Depreciation	Rs. 0.28	0.23	0.17	0.20	0.31	0.42	0.43	0.52	0.47	0.41	
f	Provision against NPA	Rs. 5.75	3.90	4.45	-33.04	-15.90	-8.85	-11.81	-4.85	-2.94	-9.20	
3	Profit/(Loss) before tax	Rs. -129.38	-156.91	-208.68	-113.16	-112.76	-121.64	-104.99	-117.18	-115.53	-114.87	
4	Profit/(Loss) after tax	Rs. -129.38	-156.91	-208.92	-113.16	-112.79	-121.64	-104.99	-117.18	-115.53	-114.87	
(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	273.36	(1640.60)	(1753.77)	(1866.55)	(1961.36)	273.37	273.37	273.37	273.37	
4	Borrowings	Rs. 676.86	665.09	661.69	661.69	661.69	661.68	661.68	661.68	661.68	661.68	
a	Market Bonds	Rs. 18.98	4.20	1.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
b	Govt. Loan	Rs. 612.17	617.17	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. 5.02	3.02	1.10	0.00	---	---	---	---	---	---	
h	Loan from NHFDC	Rs. 0.37	0.37	---	---	---	---	---	---	---	---	
i	Short Term Loan GIDC	Rs. ---	---	---	---	---	---	---	---	---	---	



HEAD OFFICE

**GUJARAT STATE FINANCIAL CORPORATION
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AHMEDABAD REGIONAL OFFICE

BLOCK NO. 10, FIRST FLOOR, UDYOG BHAVAN, GANDHINAGAR-382 010
TELE. NO. (079) 232 21594, 232 52209
FAX NO. (079) 232 21625

SURAT REGIONAL OFFICE

2ND FLOOR, MIRAMBICA COMPLEX, OPP. GANDHI BAUG, CHOWK BAZAR, SURAT.
TELE NO. (0261) 2460546/47
FAX NO. (0261) 2460543

RAJKOT REGIONAL OFFICE

RACE COURSE, RING ROAD, NEAR LIFE BUILDING, RAJKOT-360 001.
TELE. NO. (0281) 2443664, 2442715
FAX NO. (0281) 2479292



GUJARAT STATE FINANCIAL CORPORATION

Head Office : UDYOG BHAVAN, 1st FLOOR, BLOCK NO. 10,
SECTOR-11, GH-4, GANDHINAGAR-382 010.

ATTENDANCE SLIP

Folio No.	
DP ID	
Client ID	
No. of shares	

I certify that I am a registered shareholder of the Corporation. I hereby record my presence at the FIFTY NINETH ANNUAL GENERAL MEETING of the Corporation in the Office of the Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector-11, Gandhinagar-382010 on Friday, the 20th September, 2019 at 11.30 a.m.

**Signature of the attending
Member/Proxy**

Note : A Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.

GUJARAT STATE FINANCIAL CORPORATION

Head Office : UDYOG BHAVAN, 1st FLOOR, BLOCK NO. 10,
SECTOR-11, GH-4, GANDHINAGAR-382 010.

PROXY FORM

I/We _____ of _____ in the district of _____ being a Member/Members of the above named Corporation hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the FIFTY NINETH ANNUAL GENERAL MEETING of the Corporation in the Office of the Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector-11, Gandhinagar-382010 on Friday, the 20th September, 2019 at 11.30 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2019.

Folio No.	
DP ID	
Client ID	
No. of shares	

Affix ₹ 1
Revenue
Stamp
Signature

1. This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Head Office of the Corporation at Gandhinagar not less than 7 clear days before the date of the meeting.
2. A Proxy need not be a member of the Corporation.

GUJARAT STATE FINANCIAL CORPORATION

Udyog Bhavan, Block No. 10, GH-4, Sector-11, Gandhinagar-382010

Designed, Processed & Printed at Government Photo Litho Press, Ahmedabad.