



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/

September 20, 2017

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

Sub: Regulation 34 of Listing Regulations - Annual Report

Ref: Stock Code 532160

Dear Sirs,

The 57th Annual Report for FY 2016-17 was placed before the members at the Annual General Meeting held on Tuesday, the 19th September, 2017 at 3.00 p.m. in the Office of the Chairman at Head Office and was adopted by the members unanimously.

In compliance with Regulation 34 of the SEBI (LODR) Regulations, 2015, please find forwarded herewith the Annual Report for the financial year 2016-17 as adopted by the members in the aforesaid Annual General Meeting.

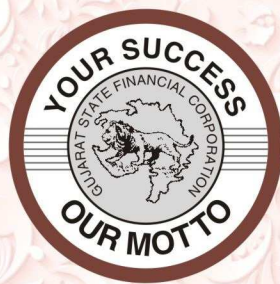
Thanking you,

Yours faithfully,
for Gujarat State Financial Corporation

Secretary (Board)

57th

Annual Report
.....
2016-17



**GUJARAT STATE
FINANCIAL CORPORATION
GANDHINAGAR**



BOARD OF DIRECTORS

(As on 30th June, 2017)

● Chairman ●

Shri P K Taneja, IAS (Retd)
(up to 30/05/2017)

Shri Manoj Kumar Das, IAS
(From 31/05/2017)

● DIRECTORS ●

Shri C J Macwan

Shri Ajit Nath Jha

(Up to 24/07/2016)

Shri Pramod Kumar Vijayvargia
(From 25/07/2016)

● MANAGING DIRECTOR ●

Shri Arvind Agarwal, IAS
(up to 17/10/2016)

Shri P K Taneja, IAS (Retd.)
(From 18/10/2016 to 15/05/2017)

Smt. Mamta Verma, IAS
(Director from 29/06/2015 & Managing Director From 16/05/2017)

● SECRETARY (BOARD) ●

Reveendran Nair

● AUDITORS ●

M/s. Manubhai & Shah, LLP
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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NOTICE

Notice under Regulation No. 23 of General Regulations of the Corporation is hereby given that the 57th Annual General Meeting of the shareholders of the Corporation will be held on **Tuesday, the 19th September, 2017 at 3.00 p.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 2017 including the Balance Sheet as at March 31, 2017, 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. Manubhai & Shah LLP, 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
Date : 11-07-2017

(MAMTA VERMA, IAS)
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 57th 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 16.09.2017 to 19.09.2017 (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. Voting through electronic means :

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 57th Annual General Meeting to be held on 19.09.2017. The e-voting facility is available at the link www.evotingindia.com.

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.

The e-voting facility will be available during the following voting period :

Commencement of e-voting	09.00 Hours of Saturday, 16th September, 2017
End of e-voting period	17.00 Hours of Monday, 18th September, 2017

E-voting shall not be allowed beyond 17.00 hours on 18th September, 2017. The e-voting module shall be disabled by CDSL for voting thereafter. During the e-voting period, shareholders of the Corporation holding shares either in physical form or in dematerialized form, as on the Cut-off-Date may cast their votes electronically. The **Cut-off-Date for the purpose of e-voting is 17th March, 2017.**

Members are requested to follow the below mentioned instructions to cast their vote through e-voting :

- (i) Log on to the e-voting website www.evotingindia.com.
- (ii) Click on Shareholders tab.
- (iii) Now Enter your User ID
 - a. For CDSL : 16 digits beneficiary ID,
 - b. For NSDL : 8 Alpha-numeric DP ID followed by 8 digits Client ID
 - c. Members holding shares in physical form should enter Folio Number registered with the Corporation.
- (iv) Next enter the Image Verification as displayed and Click on LOGIN.
- (v) Members holding shares in demat form and who have logged in for an earlier instance of e-voting and voted on www.evotingindia.com should use their existing login and password. Such members who have already logged in earlier would be required to enter only the password after entering the user ID and characters displayed. If the members have forgotten their password, they can enter the User ID and the characters verification code and click on "Forgot Password" to retrieve their password.



(vi) If you are a first time user, follow the steps given in the table 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) * 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. If both the details are not recorded with the depository or Corporation, please enter the number of shares held by you as on the cut-off date (17-03-2017) in the Dividend Bank details field.

- (vii) After entering these details appropriately, click on “SUBMIT” tab.
- (viii) Members holding shares in physical form will then directly reach the EVSN 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.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on EVSN of GUJARAT STATE FINANCIAL CORPORATION.
- (xi) 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.
- (xii) Click on the “RESOLUTION FILE LINK” if you wish to view the entire set of Resolution details.
- (xiii) 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.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvi) Members can also cast their vote using CDSL’s mobile app m-Voting available for Android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.



(xvii) **Note for Non-individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves.
- 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, a Compliance User should be created using the admin login and password. The Compliance 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 the non-individual shareholders 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.

(xviii) 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.

(xix) The results of e-voting will be announced within forty-eight (48) hours after conclusion of the meeting on the Corporation's website and also informed to BSE Ltd.

(xx) 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.

(xxi) Mr. Pragnesh M Joshi, Practicing Company Secretary, Ahmedabad, Gujarat (Membership No. FCS 7238 & Certificate of Practice No. 7743) has been appointed as the Scrutinizer to scrutinize the e-voting and poll process in the AGM in a fair and transparent manner.

(xxii) 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.

(xxiii) 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.

(xxiv) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Corporation at www.gsfc.gujarat.gov.in and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Ltd.





DIRECTOR'S REPORT

To the Members,

Your Directors have pleasure in submitting their Annual Report together with the Audited Financial Statements for the year ended on 31st March, 2017.

Before going into the performance highlights of the Corporation, economic scenario of the country, in brief, is taken stock of as under :-

1. Economy Scenario:

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF). The improvement in India's economic fundamentals has accelerated in the year 2015 with the combined impact of strong Government reforms, Reserve Bank of India's inflation focus supported by benign global commodity prices. Interest rates are in the decline owing to under-control inflation, decrease in crude oil prices, weak credit growth and major Government reforms like focus on areas like e-governance, ease of doing business, labour reforms, fuel price de-control, the 'Make in India' movement etc. India's Gross Domestic Product (GDP) grew 7.2 per cent during 2014-15, 7.9 per cent during 2015-16 and 7.1 per cent during 2016-17. Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST) and the action to demonetization of high denomination bank notes of ₹ 1000 and ₹ 500 with effect from November 8, 2016 in order to eliminate black money and the growing menace of fake Indian currency notes, thereby creating opportunities for improvement in economic growth. Demonetization is expected to have a positive impact on the Indian economy which will help foster a clean and digitized economy in the long run. The GST will create a common Indian market, improve tax compliance and governance and boost investment and growth.

According to the research note by Morgan Stanley, growth is likely to inflect higher, accelerating by almost one percentage point over the next three quarters. It also expects growth to pick up from the second quarter of FY 2017-18 and accelerate by almost a full percentage point to 7.9 per cent by December 2017 from the current run rate of seven per cent.

2. Financial Performance :

During the year under report, Corporation concentrated on recovery of dues only as in the previous years. Recovery process was affected badly due to recent developments in the country. Interest income earned by the Corporation for the year under report reduced substantially and stood at ₹ 3.18 crore as against ₹ 11.67 crore reported a year ago. Interest earned on deposits stood at ₹ 9.04 crore compared to ₹ 9.16 crore in the previous year. Other income including provisions written back against NPA, diminution in value of investment etc., stood at ₹ 5.85 crore during the year 2016-17 as against ₹ 14.66 crore in the previous year. Total income of the year under report stood at ₹ 18.07



crore registering a decline of 49.08% over ₹ 35.49 crore reported in the previous year. Corporation's total expenditure for the year under report reduced by ₹ 5.23 crore and stood at ₹ 135.25 crore as against ₹ 140.48 crore reported in the previous year. The loss of Corporation for the year under report stood at ₹ 117.18 crore as against ₹ 104.99 crore in the corresponding period of last year. In view of mounting loss, your Directors refrain from declaring dividend for the year under report.

3. Borrowings :

Corporation owes its borrowings to Government of Gujarat and during the year under report, no borrowing was resorted to. Corporation's borrowings remained static at ₹ 661.68 crore for the year under reference.

4. Recovery :

Corporation has discontinued main activities of sanction and disbursement since last one and half decades. With the passage of time, almost all good loan accounts have been closed or settled. Recovery from left out units is a herculean task. Recognizing the difficulties, Corporation revitalized its machinery for concentrating on sticky loan accounts. As a step in this direction, various One Time Settlement schemes for different types of loans were in force in the year under reference. However, the efforts could not yield desired results. Recovery of dues for the year under reference declined sharply and stood at ₹ 7.02 crore as against ₹ 16.86 crore reported in the previous year.

5. Human Resource :

The staff strength of the Corporation stood 61 on the last day of the year under report as against 66 in the previous year. The break up staff strength is as under :-

Sr. No.	Category	Total
1	'A' Grade officers	7
2	'B' Grade employees	45
3	'C' Grade employees	9
	Total	61

Out of 61 staff, two employees are loan service and 19 employees are on deputation with other Government departments. The staff available at the disposal of the Corporation, therefore, stood at 40 spread over three Regional Offices and Head Office.

6. Corporate Governance :

The Corporation has in place the SEBI regulations pertaining to Corporate Governance subject to exemptions available under the said Regulations. Management Discussion and Analysis Report, Corporate Governance Report, Certificate regarding compliance of conditions of Corporate Governance and declaration by Managing Director that the Board of Directors and Senior Management Personnel have complied with the Code of Conduct are annexed hereto and form part of this Report. The details of various Committees and their functions form part of the Corporate Governance Report.



7. Auditors :

M/s. Manubhai & Shah LLP, Auditors of the Corporation, have submitted their Independent Auditor's Report on the financial statements of the Corporation for the year ended 31st March, 2017. The Report contains qualifications which along with management's views are given in Addendum forming part of the Annual Report.

The said Auditors were appointed for the last three years. Pursuant to Section 37 of the State Financial Corporation's Act, 1951 and in terms of confirmation of eligibility of Auditors by Reserve Bank of India, they are eligible for re-appointment for a further term of one year. On the recommendation of the Audit Committee, the Board of Directors recommends their re-appointment.

8. Board of Directors :

During the year under reference, Shri PK Taneja, IAS, the then Additional Chief Secretary to Government, Industries & Mines Department joined the Board of your Corporation as Managing Director on 18th October, 2016 relieving Shri Arvind Agarwal, IAS of the additional charge. On his appointment as Chairman by SIDBI, Mumbai, vide letter dated 5.12.2016, Shri PK Taneja, IAS continued as Chairman & Managing Director since 5.12.2016. SIDBI, Mumbai, vide letter dated 25.7.2016, nominated Shri Pramod Kumar Vijayvargia, Deputy General Manager, SIDBI, Ahmedabad as Director on the Board of the Corporation in place of Shri Ajit Nath Jha. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, brief resume of the Directors joined during the year under reference, is furnished in the Corporate Governance Report attached to this Report.

The Board places on record its appreciation for the valuable guidance, support and counsel received from Shri Arvind Agarwal, IAS and Shri Ajit Nath Jha during deliberations of the Board.

As a subsequent development, Government of Gujarat in General Administration Department vide order dated 29th April, 2017 ordered that Industries Commissioner, Gandhinagar, shall also function as Ex-Officio Managing Director of the Corporation. Accordingly, Smt. Mamta Verma, IAS, Industries Commissioner and a Director on the Board of the Corporation assumed the charge of the post of Managing Director on 16th May, 2017. Brief resume of the Managing Director has already been included as a part of Corporate Governance Report for the financial year 2015-16.

9. Directors' Responsibility Statement :

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

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a



true and fair view of the state of affairs of the Corporation at the end of the financial year ended 31st March, 2017 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 2017 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, 2017; and
6. Proper systems have been devised to ensure compliance with the provisions all applicable laws and that such systems were adequate and operating effectively during the year ended 31st March, 2017.

10. Acknowledgement :

Your Directors express their sincere thanks and appreciation to the Government of Gujarat for its continuous support and guidance. The Board also places on record its grateful appreciation to the co-operation received from Industries & Mines Department, Finance Department, RBI, SIDBI, Mumbai and Ahmedabad offices, commercial banks and various other agencies. Your Directors thank the stakeholders and customers for their continued support. The Board also takes this opportunity to appreciate the dedication and commitment of all employees.

For and on behalf of the Board of Directors,

Place : Gandhinagar

Date : 26-05-2017

(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.

SFCs are created in pursuance to Entry No. 43 of the Union List by Parliament as a special Act. GSFC is, therefore, a statutory Corporation. The remedial measures available to companies like rehabilitation, revival, takeover of management etc., are not available to the Corporation. Corporation has so far suffered immense loss. However, it is continuing its recovery functions. Corporation, being a statutory body, thus, prepares accounts on “going concern” assumption 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 and subsequent issuance of Government Resolutions. The 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 penal interest 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 not made on actual receipt basis. The effect of the same on written back NPA, bad debt provision and any other item of financial statements could not be ascertained.

Installments received under OTS Scheme is apportioned in the order of penalty, interest, 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 written off may not be of that particular year. In short, interest income already recognized in a particular year is affected in subsequent year(s).



Point No. (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. Adequate disclosure has been made in Note 15 under heading "Notes to 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 addresses of units are not available. It is, therefore, practically difficult to obtain balance confirmation from individual parties. Borrowings are supported by Government Resolution and periodic confirmations are made by the agencies.

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

Corporation's liabilities on Gratuity and Leave Encashment are covered under Group Insurance Policies operated with Life Insurance Corporation of India. Since premium is collected annually by LIC, as per the practice followed consistently, liabilities on both the counts are accounted on cash basis.





MANAGEMENT DISCUSSION AND ANALYSIS

(1) Industry structure and development :

Gujarat State Financial Corporation, established under the State Financial Corporations Act, 1951, on 1st May, 1960 to facilitate providing medium and long term credit to small and medium scale industrial undertakings in the light of banks and other large financial institutions are not lending a helping hand to first generation entrepreneurs and to grow as a regional development bank. Corporation has played pivotal role in industrial development of the State till 2000-01. With the passage of time and particularly after financial reforms, the fortune of SFCs dwindled due to banks and other financial agencies stepped into the shoes of SFCs and are providing financial assistance to SMEs on attractive terms. Corporation could not withstand competition and was forced to abandon its main activities of sanction and disbursement since financial year 2001-02.

(2) Opportunities and Threats :

Though the State is progressing in industrial arena and vast opportunities are available, keeping in view the financial condition of the Corporation and other internal and external factors, Corporation is not in a position to re-start in main activities in the near future and hence could not tap the opportunities available.

Corporation's efforts are concentrated on recovery only. Almost all good accounts have been settled either by availing benefits of One Time Settlement schemes or in the normal course. Corporation is now left with sticky and inactive accounts recovery from which is indeed a herculean task.

(3) Segment-wise performance :

As stated above, Corporation is concentrating on recovery of dues only. Since Corporation is not providing any services, segment-wise performance is not envisaged.

(4) Outlook :

Corporation is not contemplating to start its main activities in the near future. Available machinery is deployed for recovery of dues. Endeavour is to reduce loss by curtailing expenditure to the maximum extent so as to keep afloat the organization.

(5) Risks and concerns :

Corporation is not above the general risks that are associated with an organization. Its utmost concern is how to effect recovery from Non-Performing Assets not backed by security either primary or collateral. Recovery from recalcitrant loanees is a matter of concern for the Corporation. To mitigate the difficulties and to attract defaulters, Corporation is devising and implementing One Time Settlement Schemes from time to time.

(6) Internal control system and their adequacy :

Services of a firm of Chartered Accounts are engaged for internal audit so as to provide timely information to management. Lacunae, if any, noticed by them are brought to the



notice of Audit Committee and appropriate measures are taken to rectify the defects. The internal control system works well and is adequate to commensurate with its size and operation to ensure orderly and efficient conduct of Corporation's business.

(7) Financial Performance :

(₹ in Crore)

Particulars	Year ended	
	31/03/2017	31/03/2016
Total Income	18.07	35.49
Interest expenses	123.67	121.09
Other expenses	11.58	18.96
Loss before depreciation & tax	116.65	104.56
Depreciation	0.53	0.43
Loss before tax	117.18	104.99
Loss after depreciation & tax	117.18	104.99
Balance carried over to balance sheet	(2,456.91)	(2,339.72)

(8) Material developments in Human Resources :

There is no reportable material development in human resources during the year under reference. Employee strength reduced to 61 from 66 in the previous year. Cordial relations between management and staff prevailed throughout the year.

(9) 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

Corporate governance is important to build confidence and trust which leads to strong and stable partnership between the Corporation and its stakeholders, customers and all others associated with it. The corporate governance policy of the Corporation envisages creativity, cooperation, reliability, integrity and compliance with laws. Corporation has complied with Code of Conduct framed for its Directors and employees.

2. BOARD OF DIRECTORS

Composition of Board

GSFC, being a body corporate established under State Financial Corporations Act, 1951, composition of Board is governed by Section 10 of the said Act. The said Section envisages composition of Board by nominees of different categories of shareholders. As on March 31, 2017, Board of Directors consisted of Chairman & Managing Director, two Directors nominated by Govt. of Gujarat and one Director nominated by Small Industries Development Bank of India.

The composition of Board, 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			Other Directorship	Membership of Board of Committees of other companies	
		Held during the tenure	Attended	Attendance at last AGM		Member	Chairman
1	Shri PK Taneja , IAS (Rtd.) (Managing Director w.e. f. 18.10.2016 & Chairman from 5.12.2016) Nominee of Govt. of Gujarat & SIDBI	2	2	Not applicable	10	Nil	Nil
2	Shri Arvind Agarwal , IAS (From 7.5.2007 to 17.10.2016) Managing Director*	2	2	Not Present	NA	NA	NA
3	Smt Mamta Verma , IAS (From 29.6.2015) State Government nominee	4	1	Not Present	12	4	None
4	Shri Ajit Nath Jha (From 29.12.2014 to 24.7.2016) SIDBI Nominee*	1	1	Not Applicable	NA	NA	NA
5	Shri CJ Macwan (From 4.3.2014 onwards) State Government nominee	4	3	Present	4	4	None
6	Shri Pramod Kumar Vijayvargia (From 25.7.2016 onwards) SIDBI Nominee	3	3	Present	Nil	Nil	None

* Ceased to be Managing Director and Director respectively during the year.



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

Change in composition of Board of Directors :

During the year under reference, vide letter dated 25th July, 2016, Small Industries Development Bank of India, Mumbai, nominated Shri Pramod Kumar Vijayvargia as a Director on the Board of the Corporation in place of Shri Ajit Nath Jha. Further, vide Order dated 17.10.2016 of General Administration Department, Shri PK Taneja, IAS, was given additional charge of the post of Managing Director of the Corporation relieving Shri Arvind Agarwal, IAS of the additional charge of that post. Small Industries Bank of India, Mumbai, vide letter dated 5th December, 2016, nominated Shri P.K. Taneja, IAS, as Chairman of the Board of the Corporation. Information about Directors joined the Board during the year is as under :

1. Shri PK Taneja, IAS (Retd.)

Shri PK Taneja, a senior IAS Officer of 1984 batch of Gujarat cadre, is an Electronics & Communication Engineer from IIT, Roorkee. He joined the Board of Directors of the Corporation as Managing Director on 18th October, 2016 pursuant to Order dated 17th October, 2016 of General Administration Department, Government of Gujarat. He was nominated as Chairman by Small Industries Development Bank of India, Mumbai vide letter dated 5th December, 2016. He has very rich and varied experience of 33 years in different capacities from District Development Officer to Additional Chief Secretary. Over and above, he has rich experience and knowledge in corporate sector. During his tenure as Managing Director of Gujarat Alkalis & Chemicals Ltd from December 2001 to November 2006, he turned around the company. He retired from Government service as Additional Chief Secretary, Industries & Mines Department on 28th February, 2017. He is a Director on ten other companies including three other listed entities. He does not hold any shares of the Corporation and is not related to any Director or Key Managerial Personnel of the Corporation.

2. Shri Pramod Kumar Vijayvargia

Shri Pramod Kumar Vijayvargia, aged 46 years, is a Computer Technology Engineer and has 22 years of experience in different spheres of administration in a national level term lending institution. He is the Chairman of the Audit Committee of the Corporation. He does not hold directorship in any other companies. 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, 2017, four Board meetings were held on 30th May, 2016, 12th August, 2016, 10th November, 2016 and 13th February, 2017.

Details of equity shares of the Corporation held by the Directors as on 31st March, 2017:

None of the Directors is holding equity shares of the Corporation.



3. **AUDIT COMMITTEE**

Terms of reference :

The terms of reference of the Audit Committee of the Corporation cover all the mandatory areas mentioned under Regulation 18 read with Part C of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which encompasses oversight of the financial reporting process and receipt of audit results both internal and external.

Composition - Name of members and Chairperson :

The composition of Audit Committee, names of members and meetings attended are given below :-

Name	Designation	No. of meetings	
		Held	Attended
Shri Ajit Nath Jha*	Chairman*	1	1
Shri Pramod Kumar Vijayvargia	Chairman	3	3
Shri CJ Macwan	Member	4	3
Shri Arvind Agarwal, IAS*	Member*	2	2
Shri PK Taneja, IAS (Retd.)	Member	2	2

*Pursuant to SIDBI nominating Shri Pramod Kumar Vijayvargia on the Board of Directors of the Corporation with effect from 25th July, 2016, he took over as Chairman of the Audit Committee in place of Shri Shri Ajit Nath Jha.

*On his joining as Managing Director of the Corporation effective from 18th October, 2016, Shri PK Taneja, IAS became Member of the Audit Committee in place of Shri Arvind Agarwal, IAS.

During the year 2016-17, four meetings of the Audit Committee were held on 30.5.2016, 12.8.2016, 10.11.2016 and 13.2.2017.

Secretary (Board) acts as Secretary to Audit Committee.

4. **NOMINATION AND REMUNERATION COMMITTEE :**

The Board of Directors of the Corporation presently consists of nominees of State Government and SIDBI. As per GSFC General Regulations, they are not entitled for remuneration or sitting fee. Since Managing Director held additional charge, no salary or remuneration is given to him during the year under reference. As far as employees are concerned, their salary and allowances are linked to such benefits available to State Government employees. In view of this, Corporation has not constituted Nomination and Remuneration Committee.

5. During the year under reference, no remuneration or sitting fee was paid to Directors.

6. **STAKEHOLDERS' RELATIONSHIP COMMITTEE :**

Stakeholders' Relationship Committee has been constituted to monitor and review investors' grievances. The Committee consists of following members :-

- | | |
|---|---------------------|
| i. Shri C.J. Macwan, Director | – Chairman |
| ii. Shri L N Parmar, Executive Officer (Accounts) | - Member |
| iii. Shri Raveendran Nair, Secretary (Board) | - Member & Convener |



During the year under reference, Stakeholders' Relationship Committee met twenty times to deal with matters related to investor grievances and approval of transfer, dematerialization etc.

Details of approval given by the Committee, during the year under report, are as under :-

<u>Particulars</u>	<u>No. of shares</u>
1. Dematerialization	- 5,700
2. Transfer	- 1,400

Shri Raveendran Nair, Secretary (Board), is the Compliance Officer for redressal of shareholders'/investors' complaints

Statement of shareholders complaints received and disposed off :

No. of complaints at the beginning of the year	:	NIL
No. of complaints received during the year	:	NIL
No. of complaints resolved during the year	:	NIL
No. of complaints pending at the end of the year	:	NIL

7. GENERAL BODY MEETING

a) Details of location and time where last three AGMs were held are given as under :-

<u>Year</u>	<u>Date</u>	<u>Time</u>	<u>Location of holding AGM</u>
2013-14	10-11-2014	4.00 PM	Conference Room of Udyog Bhavan Society, Udyog Bhavan, Block No. 19, 1st Floor, Sector 11, Gandhinagar
2014-15	30-10-2015	4.00 PM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector-11, Gandhinagar
2015-16	17-09-2016	5.00 PM	Office of Chairman at Head Office at Udyog Bhavan, Block No. 10, 1st Floor, Sector-11, Gandhinagar

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

8. MEANS OF COMMUNICATION

- a) Quarterly/half yearly and yearly results are published in newspapers in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- b) The aforesaid results are normally published in English and Gujarati editions of "The Financial Express", Ahmedabad.
- c) The results are uploaded on the website of the Corporation viz. <https://www.gsfc.gujarat.gov.in>
- 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** : Tuesday, the 19th September, 2017 at 3.00 P.M. in the Office of the Chairman at Head Office at Udyog Bhavan, Block No. 10, First Floor, Sector-11, Gandhinagar-382010.
- b) **Financial year** : The Financial Year of the Corporation ended on 31st March, 2017
- c) **Dividend payment date** : Not applicable (Book closure from 16-9-2017 to 19-9-2017 (Both days inclusive))
- d) **Listing on Stock-Exchanges** : BSE Ltd, 25th Floor, Phiroz Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001
Listing fee for FY 2017-18 remitted on 15-04-2017
- e) **Stock Code** : 532160
- f) **Market price data**

Monthly high and low quotation of shares traded on BSE during Financial Year 2016-17 were as under :

Month	High (₹)	Low (₹)	Volume
April, 16	3.05	2.50	19600
May	2.61	2.38	3500
June	2.74	2.74	200
July	3.30	2.75	10300
August	3.63	2.60	31000
September	3.44	2.56	20600
October	3.46	2.66	34400
November	3.54	2.94	4900
December	3.57	3.50	4600
January 2017	3.90	3.39	8700
February	3.39	3.23	5500
March	3.23	2.92	1000

g) **Registrar & Transfer Agents**

M/s. MCS Share Transfer Agent Ltd,
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

h) **Share Transfer System**

Shareholders Relationship Committee consisting of a Director as Chairman and two officials has been constituted by the Board of Directors to approve transfer of shares and all other related matters pertaining to securities including investor grievances. The Committee meets frequently to ensure disposal expeditiously.



i) **Distribution of shareholding by size as on 31st March 2017**

Shares held	No. of Folios	%	Number of shares held	%
1 – 500	6556	78.75	14,54,637	1.63
501-1000	839	10.08	7,82,722	0.88
1001-2000	369	4.43	6,15,700	0.69
2001-3000	141	1.69	3,64,773	0.41
3001-4000	58	0.70	2,11,500	0.24
4001-5000	116	1.39	5,62,100	0.63
5001-10000	107	1.29	8,19,148	0.92
10001-50000	111	1.33	23,95,920	2.69
50001-100000	11	0.13	8,32,450	0.93
100001 and above	17	0.21	8,10,75,050	90.98
Total	8325	100.00	8,91,14,000	100.00

j) **Distribution of shareholding by ownership as on 31st March, 2017
(Pursuant to Sections 4 and 4A of SFCs Act, 1951)**

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

k) **Dematerialization of shares and Liquidity**

Out of 1,43,03,600 Class “d” shares issued pursuant to Section 4 (3) (d) of the SFCs Act, 1951, as on 31.3.2017, 91,89,890 shares are held in electronic mode consisting 64.25% of Class “d” shares.

l) **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity :**

Corporation has not issued any GDRs/ADRs/Warrants or any convertible instruments.



- (m) Commodity price risk or foreign exchange risk - Nil
- (n) Plant Location : Not applicable
- Regional Offices at : Gandhinagar, Surat & Rajkot
- Other office at : Mumbai

(o) **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

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 is established under State Financial Corporations Act, 1951 and hence not a company under the Companies Act, 2013. Exemption has been provided under proviso to Regulation 15 (2) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to listed entities which are not companies. Corporation has complied with listing requirements to the extent that it does not violate the provisions of SFCs Act, 1951 and the regulations made thereunder. No penalties or strictures have been imposed on the Corporation by Stock Exchanges or SEBI or any statutory authority during the last three years.
- (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) Corporation has complied with mandatory requirements to the extent that it does not violate the provisions of statute under which it is established.
- (e) In pursuance to Corporation's Code of Conduct policy, Directors and senior management personnel have affirmed their compliance with the Code for the Financial Year 2016-17, a declaration to this effect signed by Managing Director forms part of this Report.





KISHOR DUDHATRA

**Company Secretary
B.B.A., FCS**

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

CERTIFICATE OF COMPLIANCE WITH THE CONDITIONS OF REGULATIONS 17, 18, 19, 20, 21, 22, 23, 24, 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, 2017, as stipulated in Regulations 17 (R.W. Regulation 15 (2) (b)), 18, 19, 20, 21, 22, 23, 24, 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 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. In our opinion and to the best of our information and according to the explanations given to us and r.w. Regulation 15(2) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Corporation has constituted its Board and committees thereof as per The State Financial Corporations Act, 1951 and 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: 01.05.2017

Place: Ahmedabad



COMPANY SECRETARY IN WHOLE-TIME PRACTICE

FCS NO. 7236 C.P. No. 3959



CODE OF CONDUCT DECLARATION

As required under Regulation 34(3) read with Part D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby declare that all the members of Board of Directors and the Senior Management personnel of the Corporation have affirmed compliance with Code of Conduct of the Corporation for the year ended 31st March, 2017.

Place : Gandhinagar

Date : 20-04-2017

(P.K. Taneja, IAS)

Chairman & Managing Director





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, 2017, 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 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 not made on actual receipt basis. The effect of the same on written back of NPA, bad debt provision and any other item of financial statements 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 provides liability in respect of Gratuity and Leave Encashment on the cash basis. The effect of the Gratuity and Leave Encashment liability to be recognized on mercantile basis as compared to cash basis is not ascertainable.

Qualified Opinion :

In our opinion and to the best of our information and according to the explanation given to us, except for the possible effects of the matter described in Basis for Qualified Opinion paragraph, the aforesaid financial statement give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the corporation as at 31st March, 2017, and its loss and its cash flow for the year ended on that date.

Report 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 Manubhai & Shah LLP

Chartered Accountants

Firm Registration No. 106041W / W100136

K. B. Solanki

Partner

Membership No. 110299

Place : Ahmedabad

Date : 26-05-2017



GUJARAT STATE FINANCIAL CORPORATION BALANCE SHEET AS AT 31st March 2017

(Amount in ₹)

Particulars	Note No.	As at 31 st March 2017	As at 31 st March 2016
I. 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	15,575,575,302	14,338,705,941
Total ₹		25,863,272,848	24,626,403,487
II. ASSETS			
CASH & BANK BALANCES	5	1,154,085,581	1,082,877,504
INVESTMENTS	6	23,951,395	22,385,651
LOANS & ADVANCES	7	-	-
FIXED ASSETS	8	45,035,546	47,752,366
OTHER ASSETS	9	71,147,295	76,146,062
PROFIT & LOSS ACCOUNT		24,569,053,030	23,397,241,903
Total ₹		25,863,272,848	24,626,403,487
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,

L. N. Parmar
Executive Officer(A/cs)

Raveendran Nair
Secretary (Board)

C. J. Macwan
Director

Mamta Verma, IAS
Managing Director

As per our Report of even date.

FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS
ICAI Firm Reg. No. : 106041W / W100136

K.B.Solanki
PARTNER
Membership No. : 110299

PLACE : AHMEDABAD
DATED : 26/05/2017

PLACE : GANDHINAGAR
DATED : 26/05/2017



GUJARAT STATE FINANCIAL CORPORATION
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED
31ST MARCH, 2017

(Amount in ₹)

Particulars	Note No.	For the Year Ended 31 st March, 2017	For the Year Ended 31 st March, 2016
INCOME			
INTEREST ON LOANS & ADVANCES		31,751,213	116,739,610
INTEREST ON DEPOSITS		90,391,191	91,678,348
PROFIT ON SALE OF INVESTMENTS		-	1,949,189
PROFIT ON SALE OF ASSETS		9,834	8,583,244
PROVISION AGAINST NPA WRITTEN BACK		48,540,646	118,108,480
OTHER INCOME	10	8,395,574	12,519,202
DIMINUTION IN THE VALUE OF INVESTMENTS WRITTEN BACK		1,565,744	5,328,486
TOTAL INCOME		180,654,202	354,906,559
EXPENDITURE			
INTEREST ON BONDS, DEPOSITS & OTHER BORROWINGS	11	1,236,651,686	1,210,930,942
FINANCIAL EXPENSES & COMMITMENT CHARGES	12	28,643	19,013
PERSONNEL EXPENSES	13	39,494,533	40,769,518
OTHER EXPENSES	14	71,028,966	148,816,536
DEPRECIATION	8	5,261,501	4,313,416
TOTAL EXPENDITURE		1,352,465,329	1,404,849,424
NET LOSS FOR THE YEAR		(1,171,811,127)	(1,049,942,865)
ADD : OPENING BALANCE OF PROFIT & LOSS ACCOUNT		(23,397,241,903)	(22,347,299,038)
BALANCE CARRIED FORWARD TO BALANCE SHEET		(24,569,053,030)	(23,397,241,903)
EARNINGS PER SHARE (BASIC AND DILUTED)		(13.15)	(11.78)
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,

L. N. Parmar
Executive Officer(A/cs)

Raveendran Nair
Secretary (Board)

C. J. Macwan
Director

Mamta Verma, IAS
Managing Director

As per our Report of even date.

FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS
ICAI Firm Reg. No. : 106041W / W100136

K.B.Solanki
PARTNER
Membership No. : 110299

PLACE : AHMEDABAD
DATED : 26/05/2017

PLACE : GANDHINAGAR
DATED : 26/05/2017



GUJARAT STATE FINANCIAL CORPORATION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

(Amount in ₹)

Sr. No.	Particulars	For the Year Ended 31 st March, 2017	For the Year Ended 31 st March, 2016
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before tax as per Profit & Loss A/c	(1,171,811,127)	(1,049,942,865)
	Adjustments :		
	Depreciation	5,261,501	4,313,416
	Diminution/(Reverse Diminution) in Value of Investments	(1,565,744)	(5,328,486)
	Profit on sale of investments	0	(1,949,189)
	Profit on Sale of Assets	(9,834)	(8,583,244)
	Dividend Income	(9,096)	(214,780)
	Interest Income	(90,579,048)	(91,914,351)
	Operating Profit before working capital	(1,258,713,348)	(1,153,619,499)
	Adjusted for :		
	i) Other Assets	4,998,767	(33,442,981)
	ii) Other Liabilities & Provisions	1,236,869,361	1,198,083,933
	NET CASH USED FROM OPERATING ACTIVITIES (A)	(16,845,220)	11,021,453
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets (After changes in Capital W-I-P)	(2,553,448)	(7,891,371)
	Sale of Fixed Assets	18,601	11,134,638
	Decrease of Investments	0	10,800,019
	Dividend Income	9,096	214,780
	Interest Income	90,579,048	91,914,351
	NET CASH USED FROM INVESTING ACTIVITIES (B)	88,053,297	106,172,417
C	CASH FLOW FROM FINANCING ACTIVITIES		
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)	0	0
	Net Increase in Cash & Cash Equivalents (A+B+C)	71,208,077	117,193,870
	Opening Balance of Cash & Cash Equivalents	1,082,877,504	965,683,634
	Closing Balance of Cash & Cash Equivalents	1,154,085,581	1,082,877,504

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

FOR AND ON BEHALF OF THE BOARD,

L. N. Parmar
Executive Officer(A/cs)

Raveendran Nair
Secretary (Board)

C. J. Macwan
Director

Mamta Verma, IAS
Managing Director

As per our Report of even date.

FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS
ICAI Firm Reg. No. : 106041W / W100136

K.B.Solanki
PARTNER
Membership No. : 110299

PLACE : AHMEDABAD
DATED : 26/05/2017

PLACE : GANDHINAGAR
DATED : 26/05/2017



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2017

Note : 1 - Share Capital

(Amount in ₹)

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	<u>AUTHORIZED CAPITAL</u> 100,000,000 Equity Shares of ₹ 10/- each	1,000,000,000	1,000,000,000
		1,000,000,000	1,000,000,000
2	<u>ISSUED, SUBSCRIBED & PAID UP CAPITAL</u> A) 86,614,000 SHARES (PREVIOUS YEAR 86,614,000 SHARES OF ₹10/- EACH) B) 25,00,000 SHARES OF ₹ 10/- EACH SPECIAL CAPITAL (PREVIOUS YEAR 25,00,000 OF ₹ 10/- EACH) ISSUED U/S 4-A OF THE SFCs ACT, 1951	866,140,000 25,000,000	866,140,000 25,000,000
	Total	891,140,000	891,140,000

Note : 1-A Share Forfeited

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	SHARE FORFEITED 9,209,600 EACH OF ₹ 10/- (ORIGINALLY PAID UP VALUE ₹ 5/-)	46,048,000	46,048,000
	Total	46,048,000	46,048,000

Note : 2 - Reserves & Surplus

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
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	2,733,666,913	2,733,666,913



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2017

Note : 3 - Borrowings

(Amount in ₹)

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
(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	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 31 st March 2017	As at 31 st March 2016
	TAX DEDUCTED AT SOURCE PAYABLE	145,501	141,004
	SECURITY DEPOSIT	145,406	821,406
	UNPAID GUARANTEE FEE	356,039,833	356,039,833
	INTEREST PAYABLE ON BORROWINGS	15,167,436,032	13,930,837,557
	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	10,164,923	10,075,534
	SUNDRIES (OTHER LIABILITIES)	26,083,204	23,867,429
	LESS : STD NO LIEN A/C (CONTRA NOTE -9)	(4,210,846)	(2,848,071)
	<u>SUBVENTION FROM STATE GOVT</u>		
	BALANCE AS PER LAST BALANCE SHEET	166,956,010	166,956,010
	LESS: DIVIDEND DEFICIT A/C	(164,619,096)	(164,619,096)
	Total	15,575,575,302	14,338,705,941

Note : 5 Cash & Bank Balances

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
A	Cash-on-Hand		
	Cash on hand and as Imprest	120,849	147,248
	Sub Total (A)	120,849	147,248
B	Bank Balance with Scheduled Banks		
	BALANCE WITH BANKS (IN CURRENT ACCOUNTS)	14,041,187	12,102,593
	Others (Deposits with GSFS)		
	LIQUID DEPOSIT WITH GSFS	11,772,617	18,553,113
	GSFS INTER CORPORATE DEPOSIT	1,128,150,928	1,052,074,550
	Sub Total (B)	1,153,964,732	1,082,730,256
	Total [A + B]	1,154,085,581	1,082,877,504



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2017

Note : 6 Investments (At cost)

(Amount in ₹)

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
(i)	SHARES ACQUIRED UNDER UNDERWRITING AGREEMENT U/S 25(1) (C) OF THE SFC'S 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	200,000	200,000
	(2000 Shares of ₹100/- each fully paid up) (UNQUOTED)		
(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 100) EQUITY SHARES OF RS.2 EACH FULLY PAIDUP (RS.10 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 228000) 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 ₹ 10/- (UNQUOTED)	10	10
(iv)	1100 (PREVIOUS YEAR 1100) EQUITY SHARES OF RS.100/- OF GUJARAT INDUSTRIAL & TECHNICAL CONSULTANCY (GITCO) (UNQUOTED)	110,000	110,000
	LESS :		
	INVESTMENT DEPRECIATION PROVIDED	(36,386,985.00)	(37,952,729.00)
	TOTAL	23,951,395	22,385,651

Aggregate cost of quoted securities - ₹ 47,503,870/-

Market value of quoted securities - ₹ 42,264,387/-

Aggregate cost of unquoted securities - ₹ 12,834,510/-

Note : 7 - Loans and Advances

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
	PRINCIPAL AMOUNT	4,275,347,507	4,323,888,153
	(TERM LOAN, HIRE PURCHASE & LEASE FINANCE)		
	LESS : 1 PROVISION FOR NPA	(4,275,347,507)	(4,323,888,153)
	TOTAL	-	-

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



Sr. No.	Particulars	Gross Block				Depreciation				Net Block	
		As on 01-04-2016	Addition during 2016-17	Deduction during 2016-17	Closing Balance as on 31-03-2017	Provided upto 31-03-2016	Adjustment during 2016-17	Provided during 2016-17	Total Depreciation as on 31-03-2017	As on 31-03-2017	As on 31-03-2016
A	Own Assets										
1	Furniture & Fixture	25,453,907	7,311,424		32,765,331	9,150,053	78000	2,309,950	11,538,003	21,227,328	16,303,854
2	Office Equipments	5,055,753	5,454,322	882,735	9,627,340	3,168,509	-351,106	1,001,489	3,818,892	5,808,448	1,887,244
3	Office Vehicles	5,676,803	-	528,510	5,148,293	3,267,087	-519,743	360,140	3,107,484	2,040,809	2,409,716
4	Land & Buildings	39,445,116	-		39,445,116	22,117,950	-	1,456,901	23,574,851	15,870,265	17,327,166
5	Computers	22,756,884	489,236		23,246,120	22,751,312	273,106	133,021	23,157,439	88,681	5,572
	Total (A)	98,388,463	13,254,982	1,411,245	110,232,200	60,454,911	-519,743	5,261,501	65,196,669	45,035,531	37,933,552
B	Lease Assets										
1	Machi / Equip.	15	-	-	15	-	-	-	-	15	15
	Total (B)	15	-	-	15	-	-	-	-	15	15
C	Capital wrok in Progress (C)	9,818,799	14,732,824	24,551,623	-	-	-	-	-	-	9,818,799
	Total (C)	9,818,799	14,732,824	24,551,623	-	-	-	-	-	-	9,818,799
	Total (A+B+C)	108,207,277	27,987,806	25,962,868	110,232,215	60,454,911	-519,743	5,261,501	65,196,669	45,035,546	47,752,366



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2017

Note : 9 - Other Assets

(Amount in ₹)

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	LOANS & ADVANCES TO EMPLOYEES	2,344,520	2,680,485
	ADD : INTEREST ACCRUED THEREON	6,272,106	7,367,861
2	CAPITAL SUBSIDY RECEIVABLE	580,971	580,971
3	SUNDRIES	12,680,310	11,335,281
	LESS : STD NO LIEN A/C (CONTRA NOTE. 4)	(4,210,846)	(2,848,071)
4	TDS - FROM INVESTMENT INCOME	659,747	659,747
5	ADVANCE TAX	514,812	506,228
6	INTEREST ACCRUED BUT NOT DUE ON ICD AND LQDS	50,953,036	53,810,453
7	EXCESS TDS DEPOSITED TO BE ADJUSTED AGAINST EXPENSES	57,639	28,896
8	DEPOSIT FROM LOANEES	1,295,000	2,024,211
	TOTAL	71,147,295	76,146,062

Note : 10 Other Income

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	COMMITMENT CHARGES	-	1,197
2	BAD DEBTS RECOVERED	5,516,169	11,573,679
3	DIVIDEND RECEIVED	9,096	214,780
4	INTEREST ON LOANS TO EMPLOYEES	187,857	236,003
5	MISCELLANEOUS INCOME	2,682,452	493,543
	TOTAL	8,395,574	12,519,202

Note : 11 Interest on Bonds Deposits & Other Borrowings

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	INTEREST ON GOVT. LOAN	929,158,441	929,292,005
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	302,881,556	277,027,248
	TOTAL	1,236,651,686	1,210,930,942



GUJARAT STATE FINANCIAL CORPORATION

Notes to the Financial Statements for the year ended on 31st March, 2017

Note : 12 Financial Charges & Commitment Charges

(Amount in ₹)

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	BANK CHARGES AND COMMISSION	28,643	19,013
	TOTAL	28,643	19,013

Note : 13 Personnel Expenses

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	SALARY , BONUS & ALLOWANCES	29,683,589	31,992,531
2	CONTRIBUTION TO STAFF PROVIDEND FUND	4,103,430	4,377,424
3	GRATUITY	1,619,994	2,318,846
4	LEAVE ENCASHMENT	2,790,225	653,449
5	STAFF WELFARE EXPENSES	1,297,295	1,427,268
	TOTAL	39,494,533	40,769,518

Note : 14 Other Expenses

Sr. No.	Particulars	As at 31 st March 2017	As at 31 st March 2016
1	TRAVELLING & OTHER ALLOWANCES	820,696	846,461
2	RENT,RATES,TAXES & ELECTRICITY	4,439,920	2,424,446
3	POSTAGE STAMP,TELEGRAMS & TELEPHONE	1,051,890	1,140,453
4	PRINTING & STATIONERY	830,852	707,689
5	PUBLICITY & ADVERTISEMENT	78,971	370,923
6	REPAIRS & RENEWALS	11,444,236	12,511,759
7	LEGAL CHARGES	1,264,120	1,065,025
8	VEHICLES MAINTENANCE EXPENSES	1,933,085	1,881,110
9	OTHER EXPENSES	10,438,398	18,685,315
10	BAD DEBT WRITTEN OFF	29,255,135	99,137,943
11	COMPUTERISATION EXPENSES	520,384	374,099
12	CONVEYANCE CHARGES	589,866	726,256
13	OUTSOURCING CHARGES	-	599,538
14	SERVICE TAX	994,218	997,547
15	FIXED ASSETS WRITTEN OFF	-	914,468
16	PROFESSIONAL FEES	7,240,695	6,318,503
17	PAYMENT TO AUDITORS'	126,500	115,000
	TOTAL	71,028,966	148,816,536



NOTE : 15

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2017

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. Adequate provision is made in the year end in respect of income to be recognized on mercantile basis on all standard assets. The provisions are reversed on first day of the new financial year. 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 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 loanee unit 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) In case of loanee 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.

(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 :

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	:	60%

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. Contributions to employees' provident fund are recognized as an expense and charged to Statement of Profit and Loss.
- (b) For gratuity 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.

(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, 2017 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 ₹ 35,60,39,833/- (Previous year ₹ 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 amounts are realized.

During the year under review, Corporation recovered an amount of ₹ 55,16,169/- (Previous year ₹ 1,15,73,679/-) from Bad Debts written off.

(03) CONTINGENT LIABILITIES :

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 ₹ 2,04,35,000/- lakh (previous year ₹ 2,02,85,000/- lakh).
- (ii) GIIC has claimed ₹ 33,75,000/- towards rent expenses payable in respect of share of Mumbai Office and Mumbai Guest House upto 31st March, 2004 whereas Corporation has made a claim of ₹ 51,70,056/- from GIIC on account of occupation of GSFC's office premises at Rajkot. Both the claims are yet to be resolved and hence neither income nor expense has been recognized in the accounts.
- (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) Appeals pending before CIT (Appeals)

Assessment Year	Particulars
2014-15	Addition u/s 2 (24)(x) & u/s 14A

(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
2011-12	Ascertained bad debt
2012-13	Ascertained bad debts, addition u/s 14A and u/s 43B



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

Assessment Year	Particulars
1998-1999	Interest Tax
1999-2000	Interest Tax
2000-2001	Interest Tax

(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 ₹ 4,85,40,646/- in the current year and shown separately in the Statement of Profit and Loss (Previous year ₹ 11,81,08,480/-).
- (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 ₹ 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 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 SICA like rehabilitation, revival, takeover of management etc., 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	2016-17	2015-16
	₹	₹
Earning attributable to equity shareholders (A)	(1,17,18,11,127)	(1,049,942,865)
Weighted average number of shares outstanding (B)	89,114,000	89,114,000
Basic & Diluted EPS [(A) / (B)]	(13.15)	(11.78)

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.

Signatories to Notes “1” to “15”

FOR AND ON BEHALF OF THE BOARD,

L. N. Parmar
Executive Officer(A/cs)

Raveendran Nair
Secretary (Board)

C. J. Macwan
Director

Mamta Verma, IAS
Managing Director

As per our Report of even date.

FOR MANUBHAI & SHAH LLP
CHARTERED ACCOUNTANTS
ICAI Firm Reg. No. : 106041W / W100136

K.B.Solanki
PARTNER
Membership No. : 110299

PLACE : AHMEDABAD
DATED : 26/05/2017

PLACE : GANDHINAGAR
DATED : 26/05/2017





Disclosure requirement for SFCs (Financial Year 2016-17)

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 31-03-2017 :

Sr. No.	Particulars of shareholding	No. of shares held (of ₹ 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

* Includes special class of shares of 1,800,000 & 700,000 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 (₹ in crore)	Percentage
Net NPA =	427.53	100 %
Net Loans & Advances =	0	0

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

	Amount (₹ in crore)	Percentage
Standard assets	0	0

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

Sr. No.	Assets	Amount (₹ In Crore)	NPA Provision Required FY 15-16	NPA Provision Required FY 16-17	Provision (+) / Write Back (-)
1	NPAs		432.39	427.53	-4.85

E. Particulars of accounts restructured : Nil

F. Movement in net NPAs

Amount (₹ in crore)

Opening Balance of Net NPA's	432.39
Closing Balance of Net NPA's	427.53
Movement in Net NPA's	- 4.85



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 (₹ in crore)	Total Assets%
The largest single borrower	10.00	2.34
The largest single group	4.40	1.03
The 10 largest single borrowers	41.70	8.77

H. Credit Exposure to the five largest industrial sectors as percentage to total Loan Assets Industrywise gross sanction/disbursement/outstanding as on 31-03-2017.

(Amount ₹ in crore)

Industry	Sanction FY 2016-17	Disb. FY 2016-17	Principal O/S as on 31-03-17	Ind. Wise O/S %
Chem & Chemical Prod.	0	0	70.34	16.45
Textile	0	0	55.27	12.92
Food Mfg.	0	0	34.13	7.98
Plastic Ind.	0	0	27.07	6.33
Services	0	0	4.21	0.99
Total	0	0	191.02	44.67

I. Liquidity

(Amount ₹ in crore)

Items	Less than OR equal to 1 Year	More than 1 Year Upto 3 Years	More than 3 Years Upto 5 Years	More than 5 Years Upto 7 Years	More than 7 Years Upto 10 Years	More than 10 years	Total
Total Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liabilites Foreign currency	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liabilites	572.19	42.26	6.92	0.00	0.00	0.00	621.37

J. Operating results

	For the Year Ended 31 st March, 2017	For the Year Ended 31 st March, 2016
(A) Interest income as a percentage to average working funds	2.89%	11.79%
(B) Non-Interest income as a percentage to average working funds	9.01%	10.52%
(C) Operating Loss as a percentage to average working funds	-106.33%	-105.57%
(D) Return on Average Assets Employed	-106.81%	-106.01%
(E) Net loss per employee (₹ Crore)	1.92	1.59



GUJARAT STATE FINANCIAL CORPORATION

PERFORMANCE OF THE CORPORATION AT A GLANCE DURING THE LAST DECADE

		(₹ in crores)										
Sr. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Since Inception
1	2	3	4	5	6	7	8	9	10	11	12	13
(A)	Assistance	No.										
	1. Flow of Applications Term Loans	₹										61756.00
	2. Loan Sanctioned											5385.60
	a. Term Loan	No.										46646.00
	b. Lease Finance	₹										3732.10
	c. Short Term Finance	No.										41
	d. Line of Credit	₹										28.62
	e. Bill discounting	No.										299
	f. Working Capital Term Loan	₹										219.48
	g. N.H.F.D.C.	No.										11
	h. Fund Based Merchant Banking Activity	₹										80.00
	i. Small Scale Units (SSI)	No.										130
	j. Backward District	₹										227.96
	k. Backward Talukas	No.										225
	l. Rural Areas	₹										174.73
	m. Triple Area/Talukas Pockets	No.										1113
		₹										4.36
		No.										20
		₹										26.29
		No.										45170
		₹										3000.59
		No.										18168
		₹										1482.14
		No.										9759
		₹										1574.47
		No.										13599
		₹										1935.50
		No.										4479
		₹										652.30





Sr. No.	Particulars		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Since Inception
1	2		3	4	5	6	7	8	9	10	11	12	13
	3. Disbursement												
	a. Term Loan	₹											2748.92
	b. Lease Finance	₹											23.14
	c. Short Term Finance	₹											187.49
	d. Line of Credit	₹											65.79
	e. Bill discounting	₹											200.72
	f. Working Capital Term Loan	₹											154.42
	g. Fund Based Merchant Banking Activity	₹											11.52
	h. N.H.F.D.C.	₹											12.31
	4. Recovery												
	a. Term Loan	₹	91.92	70.22	27.22	29.72	28.45	26.14	21.58	12.51	12.74	6.53	3470.41
	b. Lease Finance	₹											14.64
	c. Short Term Finance	₹	0.54										208.16
	d. Line of Credit	₹	2.34	0.62	0.53	1.28							60.53
	e. Bill discounting	₹	0.70	0.88			0.02	3.01	3.29	0.24	2.31		209.99
	f. Working Capital Term Loan	₹	2.70	3.18	7.39	1.89	3.21	5.40	3.25	0.89	1.79	0.46	114.81
	g. Fund Based Merchant Banking Activity	₹					0.01						0.11
	h. N.H.F.D.C.	₹	0.24	0.23	0.08	0.02					0.02	0.03	1.84
	5. Loan Outstanding (at year end)	No.											
(B)	Working Results												
	1. Earning												
	a. Interest	₹	65.61	55.29	27.11	23.57	26.24	25.06	18.03	7.97	11.67		
	b. Other Income	₹	2.29	3.17	9.34	7.59	3.15	6.35	6.88	6.84	12.01		



Sr. No.	Particulars		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	2		3	4	5	6	7	8	9	10	11	12
	2. Expenditure											
	a. Interest on bond, deposits & Other Borrowings	₹	112.55	135.05	161.44	187.25	220.37	145.71	115.21	118.26	121.09	123.66
	b. Financial Expenses & Commitment Charges	₹	1.75	9.88	0.61	0.20	0.05	0.00	0.00	0.00	0.00	0.01
	c. Personnel Expenses	₹	6.10	22.15	2.82	8.94	12.44	4.33	4.53	5.10	4.08	3.95
	d. Other expenses	₹	26.53	33.80	13.93	20.60	32.36	27.37	14.71	11.88	14.88	7.10
	e. Depreciation	₹	0.40	0.35	0.28	0.23	0.17	0.20	0.31	0.42	0.43	0.52
	f. Provision against NPA	₹	29.69	14.30	5.75	3.90	4.45	-33.04	-15.90	-8.85	-11.81	-4.85
	3. Profit/(Loss) before tax	₹	-109.13	-117.93	-129.38	-156.91	-208.68	-113.16	-112.76	-121.64	-104.99	-117.18
	4. Profit/(Loss) after tax	₹	-109.13	-117.93	-129.38	-156.91	-208.92	-113.16	-112.79	-121.64	-104.99	-117.18
	(C) Capital & Resources (as at the end of)											
	1. Paid up capital	₹	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11	89.11
	2. Share Forfeited	₹	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
	3. Reserves	₹	265.29	273.36	273.36	273.36	(1640.60)	(1753.77)	(1866.55)	(1961.36)	273.37	273.37
	4. Borrowings	₹	965.41	1000.92	676.86	665.09	661.69	661.69	661.69	661.68	661.68	661.68
	a. Market Bonds	₹	67.31	60.14	18.98	4.20	1.25	0.00	0.00	0.00	0.00	0.00
	b. Govt. Loan	₹	532.17	592.17	612.17	617.17	621.37	621.37	621.37	621.37	621.37	621.37
	c. SIDBI Loan	₹	---	---	---	---	---	---	---	---	---	---
	d. Refinance	₹	59.87	---	---	---	---	---	---	---	---	---
	e. Fixed Deposits	₹	---	---	---	---	---	---	---	---	---	---
	f. Line of Credit from Banks	₹	---	---	---	---	---	---	---	---	---	---
	g. Priority Sector Bond	₹	76.67	8.95	5.02	3.02	1.10	0.00	---	---	---	---
	h. Loan from NHFDC	₹	0.37	0.37	0.37	0.37	---	---	---	---	---	---
	i. Short Term Loan GIDC	₹	---	---	---	---	---	---	---	---	---	---



HEAD OFFICE

GUJARAT STATE FINANCIAL CORPORATION
SECTOR-11, GH-4, UDYOG BHAVAN GANDHINAGAR – 382 010

TELE. NO. 23256761 to 66, 23256772-74, FAX NO. 23252204

E-mail : webmaster –gsfc@gujarat.gov.in, **Web site :** [http:// www.gsfc.gujarat.gov.in](http://www.gsfc.gujarat.gov.in)

REGIONAL OFFICES

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 SEVENTH 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-382 010 on Tuesday, the 19th September, 2017 at 3.00 p.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 SEVENTH 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 Tuesday, the 19th September, 2017 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2016.

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.

