

# Chairman's Speech

49<sup>th</sup>

ANNUAL GENERAL MEETING

22<sup>nd</sup> July, 2006



ORISSA STATE FINANCIAL CORPORATION  
OMP SQUARE, CUTTACK 753003

*(website: [www.osfcindia.com](http://www.osfcindia.com))*

## **Gentlemen,**

It is a great pleasure and privilege for me to welcome you all to the 49<sup>th</sup> Annual General Meeting of your Corporation today, the 22<sup>nd</sup> July, 2006. The Annual Report on the workings of the Corporation together with the Audited Accounts and the Auditor's Report thereon for the financial year ended on 31<sup>st</sup> March, 2006 are already before you and I shall take them as read.

You will appreciate that with an investment of Rs.1305 crore in 28207 Units till 31<sup>st</sup> March, 2006, your Corporation has played a vital role for the industrial development of the state as well as for economic up-liftment.

## **Economic Scenario**

The Indian economy witnessed a smooth global economic expansion in spite of hardening of global oil price and other adverse factors. In spite of all the bottlenecks, the Indian economy has achieved a growth of 7.6% in GDP during the FY. 2005-06 against 6.9% in the previous year.

During the year GSDP of Orissa increased from Rs.18536.66 cr in 1993-94 to Rs.29487.94 cr in 2004-05 at 1993-94 prices showing a compound annual growth rate of 4.31% over the period.

## **Performance Highlights & Working Results of OSFC**

The cumulative sanction and disbursement of OSFC since inception till 31.03.06 is Rs.1305.73 crore and Rs.1305.12 crore to 28207 numbers of units. The total recovery of the Corporation as on 31.03.06 stood at Rs.1617.60 crore. The recovery made during the current fiscal stood at Rs.106.75crore comprising Principal of Rs.44.13crore, Interest of Rs.22.33crore and Advance against OTS/ Rephasement Rs.40.29crore.

## **Prospects of OSFC**

OSFC is pioneer in promotion and development of Small Industrial units in the State. It not only creates employment opportunity, but also bridges the gap of regional imbalances. To make the state industrially vibrant, the present Government has already entered into MOU with different industrial houses like POSCO, VEDANTA, TATA and JINDAL. During implementation of these projects, there is sufficient scope for safe investment as backward linkage. In addition, investment in ancillary/down-stream sectors will be widened.

Keeping in view the present economic scenario as well as post-WTO regime, the Corporation is exploring the possibility for investment by way of syndicate finance, project consultancy, IT enabled services and insurance business etc. Corporation is contemplating to invest under consortium finance to downstream and ancillary units, Infrastructure projects and for development of township.

## Re-structuring of OSFC

As you are aware, UTI Bank Ltd. was assigned to make a diagnostic study and to develop restructuring package to make OSFC viable on a sustainable basis. The Board approved the final report of the consultant on the restructuring of OSFC and the same has been sent to Government, SIDBI and IDBI for necessary approval. You will be happy to note that SIDBI has already communicated conditional approval of the package whereas IDBI has already approved the package. Further more the restructuring package has also got the approval of Inter Departmental Committee and now awaiting for State Cabinet's approval. The financial and organizational restructuring of the corporation is already in progress and implementation is in line with suggestions of the consultant pending final approval by State Govt. Corporation is up to date is clearing restructured dues of SIDBI, installment of IDBI and all the amount on account of SLR bond who have agreed for settlement under OTS. It is crucial that the existing tempo of recovery and rephasing of loans to units should be maintained as envisaged in the restructuring proposal for OSFC.

## Future Plan of OSFC

Keeping the restructuring plan into account, the Corporation has taken up rationalization of its manpower by introduction of VRS/VSS scheme thereby reducing the strength from the existing 913 to 341 to make it more cost effective.

The rationalization of the branches of the Corporation will be determined basing on the scale of operation and viability of the branch taking into account the cost and profit centre concept. During the year, the Corporation has reduced the branches from 18 to 17 by converting the Jharsuguda Branch to a Recovery cum Facilitation Cell under the administrative control of Rourkela Branch. After signing of MOU with SIDBI, the Corporation will be able to avail fund at a competitive rate, which in turn will help the Corporation to diversify its portfolio of products to the emerging profit sector at a concessional rate.

In order to prevent further deterioration of the asset base, the Corporation has floated different OTS schemes, Rephasing and Rehabilitation package with an aim to reduce the level of NPAs. The Corporation, in the first year of its revival, proposes to invest on existing standard and re-structured units. The Corporation has also identified potential areas for financial assistance to SSIs in different clusters. The cluster approach is primarily aimed to facilitate technological up-gradation, common infrastructure and effective monitoring. The Corporation proposes to consolidate the existing units so as to revive them and to facilitate their healthy growth.

Your Corporation will continue its endeavor for revival of potentially viable sick units for reduction of NPAs. The Corporation will explore possible collaboration with all India FIs and Banks to provide Single Window finance in SMEs sector. The Corporation is interested to increase its income through better deployment of existing human resources by venturing in to non fund based activities like corporate insurance agency, valuation of asset, project consultancy etc.

## Recovery Performance

Your Corporation is always giving prime importance in recovering the loan dues from the assisted units with the objective of reduction of NPAs as well as for resource mobilization. The Corporation has already adopted a dynamic recovery strategy with six-door exit route for reduction of NPAs. The annual recovery target has been distributed on monthly basis among the branches based on their loan portfolio. To achieve the desired result of recovery in a most efficient and planned manner, the recovery target for the year has been distributed both branch-wise and staff-wise. Liberal OTS schemes were launched during the year with a view to bring down the existing high level of NPAs .

## Resource Mobilisation

The Corporation mobilized Rs. 155.73 cr during the year from the following sources:

- |                     |                     |
|---------------------|---------------------|
| ▪ Opening balance   | Rs. 23.30 cr        |
| ▪ Repayment of dues | Rs. 106.75 cr       |
| ▪ State Govt. loans | Rs. 12.00 cr        |
| ▪ Other sources     | <u>Rs. 13.68 cr</u> |

Total Rs. 155.73 cr

This amount was utilised as under :

- |                                   |                     |
|-----------------------------------|---------------------|
| • Repayment of bonds              | Rs. 35.39 cr        |
| • Repayment of Govt. Loan         | Rs. 23.46 cr        |
| • Repayment to IDBI/SIDBI (Prin.) | Rs. 24.74 cr        |
| • Repayment to IDBI/SIDBI (Int.)  | Rs. 7.86 cr         |
| • Other cash outgo                | Rs. 44.01 cr        |
| • Closing balance                 | <u>Rs. 20.27 cr</u> |

Total Rs.155.73 cr

## Profit and Loss Position

You will be happy to note that your Corporation has achieved a turn around and earned an operational profit of Rs. 2.22 crore during the year. The management is making a constant endeavor to streamline functioning of the Corporation by implementing the restructuring plan to ensure continuance of the present trend of achievement.

## Acknowledgement

We are grateful to the Government of Orissa in the Department of Industries, Finance and Public Enterprises for their continuous support and guidance.

Before I conclude, I on behalf of the Board of Directors of the Corporation and myself, would like to place on record the deep appreciation of the valuable services rendered by Sri S. Sahoo, General Manager, IDBI, Sri N.K.Maini, Chief General Manager, SIDBI, Kolkata, Sri B. K. Bose, General Manager, SIDBI, Sri S. Bandyopadhyay, Senior Divisional Manager, LIC of India, Sri V.S.G. Chandrasekhar, Chief General Manager, State Bank of India, Dr.D.V.Ramanna, Prof.-Finance, Xavier Institute of Management, BBSR as Directors of the Corporation.

I place on record my gratitude for the cooperation, advice and guidance of my colleagues on the Board of the Corporation.

I also thank the Officers and staff of the Corporation, who have put their best efforts in making the Corporation more responsive to the needs of the hour.

I believe that the prospect of the Corporation lies in ensuring the prosperity of its valued customers. It will be our earnest endeavor to develop a customer friendly relationship to turnaround. Let all of us join our hands to build the organization more resilience to the different needs of the customers.

I thank you all for attending this Annual General Meeting and hope that your Corporation will continue to have your cooperation in the years to come. I now place the Balance Sheet and Profit & Loss Account of your Corporation along with the Directors' Report for your consideration.

**Chairman**