



Chairman's Speech

55th

ANNUAL GENERAL MEETING

July 13, 2012

**ORISSA STATE FINANCIAL CORPORATION
OMP SQUARE, CUTTACK – 753003**

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***Esteemed Shareholders,
Ladies and Gentlemen,***

A very good morning to all of you. On behalf of the Board of Directors of Orissa State Financial Corporation (OSFC) it is my pleasure to extend you all, a very warm and hearty welcome to the 55th Annual General Meeting (AGM) of shareholders.

The copies of Annual Report on the working of the Corporation together with Audited Accounts & Auditor's Report thereon for the financial year ended 31st March 2012 are already before you and with your permission, I shall take them as read.

Economic Scenario

The financial year 2011-12 was challenging for the Indian Economy with the Gross Domestic Product (GDP) growth rate sliding to 6.9% from 8.6% during the previous year. The decline in GDP growth rate is attributed to dip in growth rate of both agriculture and industry sectors. At home, the State economy has shown significant growth in recent years. The Net State Domestic Product (NSDP) has increased from ₹25708 crore in 2010-11 to ₹26900 crore in 2011-12 at 2004-05 price. The service sector accounted for 57.34% of Gross State Domestic Product (GSDP) followed by Industries and Agriculture which are 26.20% & 16.46% respectively. The advance to MSME sector by banks under Annual Credit Plan 2011-12 in the State stood at ₹13795.38 crore which constitutes 19.88% of the total advance.

Government of Odisha has created a new MSME Department with a view to promote, develop and enhance competitiveness among MSMEs. It has also created favourable environment and innovative means to support MSMEs. In terms of notification dt.19.12.2011 of G.A Department of Government of Odisha, the Corporation has been placed under the administrative control of MSME Department.

Performance of OSFC

Your Corporation, in existence for more than five decades, has fuelled industrialization in the State and has fulfilled some of the major socio-economic obligations of the state like entrepreneurship development, employment generation and inclusive growth across region and population, besides contribution to development of critical infrastructure and export earnings.

The Management of the Corporation which is strengthened by professionals have taken several initiatives during the year to remove bottom-line deficiencies in policies, procedures and practices to enable the Corporation to march ahead in the competitive environment.

After resumption of lending, OSFC is facing keen competition from the banks, FIs and private players in terms of cost of funds, availability of resources and credit pricing. Most of its good and proven customers have migrated to banks and other FIs, as OSFC was out of business of lending for almost six years. However, the strength of OSFC lies in its network of Branches, experienced manpower and commitment to the cause of MSMEs. A new Loan Policy which is being introduced intends to support new small / micro enterprises along with established enterprises.

While adapting itself to the fast changing business environment, the Corporation has focused on strengthening customer satisfaction through prompt & quality service. The Corporation would continue to identify areas of business opportunity, scale-up and broad base its business for sustained earnings.

The wave of industrialization is sweeping the State as it has emerged as a preferred destination of several mega projects, thereby opening up vast opportunities for ancillary and downstream industries. OSFC is looking forward to finance such industries to fulfill the aspirations of young entrepreneurs of the State.

Business Initiatives

The Corporation though continued to focus on recovery, out of its almost cent percent NPA portfolio, has taken following initiatives to increase new loan portfolio:

- Effective steps to reduce response time for a systematic and quick credit delivery process so as to continue with its business programme in a highly competitive environment.
- Formulated the Technology Up-gradation Scheme, as per MSME Development Policy-2009, which is under consideration of the State Government.
- Customers meets organised at Branches to have a direct interaction with both existing and prospective borrowers.
- Seminars organised at various locations in the State for disseminating information with regard to scope for establishment of new projects in various emerging sectors and the details of Loan Policy and OTS Policy.
- Business Review Meetings held at regular intervals with Branch Managers and Heads of Departments to review performance of the Branches and identify areas for improvement.
- Weekly meeting of HoDs & Business Heads were held with MD to review the policy, procedures and business related matters.
- Put in place a comprehensive Loan Recovery Policy wherein Post Disbursement Monitoring, NPA Monitoring & Management have been emphasised particularly to prevent slippage of standard accounts and upgradation of NPA accounts.
- Actively participated in the celebration of 8th Entrepreneurship Week (5-11 March 2012) organized by the State Government throughout the State.

Steps Taken for Overall Improvement of Work Environment

- Initiated measures to improve overall image of the Corporation through timely service to the borrowers through issue of demand notices, balance confirmation certificates, acknowledgement of debts, networking with Industries Associations etc.

- Policy and procedures revisited and modifications made, wherever felt necessary, including adoption of new policies.
- Review of compliance to Audit observations by the Audit Committee in a regular manner and more particularly in the context of recovery of dues from assisted units.
- Launching of One Time Settlement Policy i.e. OTS-2011 Policy for a hassle free recovery of dues from hardcore NPA accounts.
- Adoption of a comprehensive “Document Management Policy” for proper record maintenance and easy retrieval.
- Introduction of “Staff Accountability Policy”.
- Felicitated 13 numbers of our valuable customers during Independence Day recognizing their achievements in the competitive environment.

Sanction

The loan policy for FY 2011-12 laid emphasis on financing only standard units which did not yield satisfactory response. The Corporation, therefore, could sanction only ₹4.11 crore to eight units. Thus, the cumulative sanction since inception stood at ₹1314.31 crore.

Disbursement

The Corporation could disburse only ₹0.84 crore during the year under report to six units. The low disbursement is mainly attributed to delay in project implementation besides low volume of sanction. The cumulative disbursement since inception stood at ₹1306.68 crore.

Recovery

During the year under report, the Corporation has recovered ₹36.55 crore. The cumulative recovery since inception stood at ₹1923.94 crore.

Fee Based Activities

The Corporation has undertaken fee based activities like General Insurance business, preparation of project profiles and training support for entrepreneurship development to augment its income.

Financial Result

The Corporation has earned a net profit consecutively for the last seven years and the net profit during the year 2011-12 stood at a modest level of ₹0.53 crore. The dip in net profit from ₹0.61 crore in the previous year is mainly on account of lower interest income and higher personnel expenses during the year under report. The net-worth and Capital Adequacy Ratio (CAR) as on 31.03.2012 stood at ₹18.91 crore and 9.50 percent respectively.

Restructuring of OSFC

The financial and organizational restructuring of your Corporation which was approved by the State Cabinet during December 2006 and February 2009 is nearing completion. The following pending issues are yet to be addressed.

- Approval of State Government under Section-4(2) and Section-4(3) of SFCs (Amendment) Act 2000 for allotment of Shares in favour of SIDBI and IDBI Bank on account of :-
 - i) Conversion of Loan-in-Lieu of Share Capital (LISC) of ₹6.225 crore plus interest from 01.04.2008 till the date of actual conversion to ordinary Share Capital.
 - ii) Conversion of unpaid dividend of ₹25.48 crore to ordinary Share Capital (50% each in favour of IDBI Bank and SIDBI).
- Waiver of interest by SIDBI on LISC amounting to ₹7.42 crore (since inception till 31.01.08) and waiver of funded interest.
- Support from SIDBI to assist capacity building project of OSFC as per need.
- The proposal on One Time Settlement of refinance dues has been submitted to SIDBI which is under active consideration.

The Corporation is committed to high level of ethical standards in terms of its policies, procedures and delivery mechanism and has adopted Corporate Governance Policy as prescribed by the State Government for State PSUs.

As part of Corporate Governance, Corporation has signed MoU with State Government for the FY 2011-12. The draft MoU for FY 2012-13 as approved by the Board of OSFC in its meeting held on 27.03.2012 has been submitted to MSME Department of the State Government.

Acknowledgement

Before I conclude, I would like to take this opportunity to thank everyone associated with the Corporation, particularly our esteemed shareholders and stakeholders and our valued customers for their continued trust and confidence. I would like to express my deep appreciation to all the Directors on the Board for their valuable service, co-operation and support. My special thanks are due to Shri T. Ramachandru, IAS, Chairman, OSFC for his valuable support and guidance to the Corporation.

I express my sincere gratitude to the Government of Odisha and SIDBI for their continuous support and guidance. I also thank all the employees of the Corporation who have put in their best efforts in making the Corporation more responsive to the needs of the clients. I believe, the prospect of the Corporation lies in ensuring the growth and prosperity of its valued customers. It will be our earnest endeavour to develop a customer friendly approach coupled with effective and speedy credit delivery mechanism to pave the way for turn around.

I express my deepest thanks to all of you for attending this Annual General Meeting and hope that your Corporation will continue to have your co-operation in years to come. I now place the Balance Sheet, Profit & Loss Account of your Corporation along with the Directors' Report for your consideration.

CHAIRMAN