

53rd
ANNUAL REPORT
2009 - 2010



ORISSA STATE FINANCIAL CORPORATION



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PERFORMANCE AT A GLANCE

(Rs. in crore)

PARTICULARS	2008-09	2009-10	AS ON 31.03.10
OPERATIONS			
1. Sanction	-	0.93	1306.26
2. Disbursement	-	-	1305.12
3. Recovery	46.57	40.25	1845.36
4. Outstanding	403.70	372.09	372.09
SHARE CAPITAL			
5. Paid-Up	23.16	-	381.78
6. Loan in Lieu of Share Capital	-	-	6.22
BONDS			
7. Issued	-	-	424.44
8. Repaid	26.07	-	423.54
9. Outstanding (Principal)	0.90	-	0.90
REFINANCE			
10. Availed	-	-	691.03
11. Repaid	15.00	15.00	561.38
12. Outstanding(prin.)	144.65	129.65	129.65
FINANCIAL SUMMARY			
13. Gross Income	23.28	23.47	
14. Total Expenditure	21.41	19.59	
15. Operating Profit/Loss	1.87	3.88	
16. Appropriation Expenditure /Income (provn. written back)	0.87	2.08	
17. Provision For Taxation	0.02	-	
18. Net Profit/Loss	2.71	1.80	
19. Reserve	0.54	0.28	

- Outstanding of Rs.372.09 crore as on 31.03.10 includes personal loan to employees of Rs.0.40 crore and vehicle and housing loan of Rs. 0.54cr. and difference between G.L. and Sub-ledger of Rs. 0.44 crore.



BANKERS

AS ON 31.03.2010

Central Bank of India

Union Bank of India

Canara Bank

State Bank of India

Syndicate Bank

Andhra Bank

Indian Overseas Bank

Allahabad Bank

AXIS Bank Limited

IDBI Bank Limited

HDFC Bank Limited

AUDITORS

**M/s Rajesh K. Jhunjhunwalla & Co.
Chartered Accountants
Bangali Sahi, Cuttack.**



THE MANAGEMENT (AS ON 31.03.2010)

BOARD OF DIRECTORS

Sri P.R.Das,
Ex-Executive Director, SIDBI,
Chairman.

Shri Kabindra Nath Khatai, IAS,
Managing Director,
Orissa State Financial Corporation,
O.M.P.Square, Cuttack.

Shri S.C.Pattnaik, IAS,
Chairman- Cum -Managing Director,
IPICOL, IPICOL House,
Janapath, Bhubaneswar.

Shri Hemant Sharma, IAS,
Director of Industries,
Orissa, Cuttack.

Shri Kirpal Singh,
General Manager,
Small Industries Development Bank of India,
4th floor, OCHC Building, Bhubaneswar.

Shri B.K.Tripathy,
Sr. Divisional Manager,
LIC of India, Cuttack Division,
Cuttack.

Dr. Samson Moharana,
Professor, Post Graduate Department of
Commerce, Utkal University, Vani Vihar,
Bhubaneswar.

Sri B.K.Samal,
Additional Secretary to Government,
Finance Department,
Government of Orissa, Bhubaneswar

Shri P.R.Giri
Additional Secretary to Government,
Public Enterprise Department,
Government of Orissa, Bhubaneswar.
(Special Invitee)

MEMBERS OF THE EXECUTIVE COMMITTEE (AS ON 31.03.2010)

Shri Kabindra Nath Khatai, IAS,
Managing Director,
Orissa State Financial Corporation,
O.M.P.Square, Cuttack.
Chairman.

Shri Hemant Sharma, IAS,
Director of Industries, Orissa,
Killa Maidan, Cuttack.

Shri Kirpal Singh,
General Manager,
Small Industries Development Bank of
India, 4th floor, OCHC Building,
Bhubaneswar.

Shri B.K.Tripathy,
Sr. Divisional Manager,
LIC of India, Cuttack Division,
Cuttack.



ORISSA STATE FINANCIAL CORPORATION
O.M.P. SQUARE, CUTTACK-753003.

NOTICE

Notice is hereby given in pursuance of Regulation 45 of the Orissa State Financial Corporation General Regulation 2003 that the 53rd Annual General Meeting of the share holders of the corporation for the year 2009-10 will be held on 28.06.2010 at 11.00 A.M at the Registered Office of the Corporation located at O.M.P Square, Cuttack-3 to transact the following business:-

1. To read the audited balance sheet as on 31.03.2010 and Profit & Loss account of the Corporation for the year ending 31st March 2010 together with the Report of the Board of Directors on the working of the Corporation during the FY-2009-10.
2. Appointment of statutory auditors for the FY- 2010-2011.
3. Any other item with the permission of the chair.

The share register of the corporation will remain closed and the registration of the transfer of share(s) shall be suspended from 14.06.2010 to 28.06.2010 (both days inclusive).

Cuttack,
Dt.05.06.2010

Sd/-
(R.N.Majhee)
Corporate Secretary

Notes:-

1. 1. Copies of the Resolution appointing representatives of the shareholders (which are companies/Bodies Corporate) duly certified to be true copy by the Chairman of the meeting at which it was passed should reach the Head Office of the corporation on or before 21.06.2010.
2. Any proxy shall be executed in terms of Orissa State Financial Corporation (Voting rights) Rules, 2003 and shall be deposited at the Head office of the Corporation on or before 21.06.2010 along with the documents in compliance with Rule 7 of the said rules.



DIRECTORS' REPORT

The Board of Directors have the pleasure in presenting the 53rd Annual Report on the functioning of the Corporation together with the audited statement of accounts for the year ended 31st March 2010.

OSFC : ITS RELEVANCE & PERFORMANCE

OSFC is a State Level Financial Institution established in 1956 with a view to provide comprehensive financial services to the entrepreneurs to set up MSMEs in the State of Orissa. It has fulfilled most of the socio economic obligations like creation of employment opportunity, removal of poverty and bridging the gap of regional imbalances. It not only contributed to the State exchequer in particular but also to National Economy in general through forex earning, mineral, marine export and handicraft units financed by the Corporation.

Due to financial sector reforms, new entrants like Banks & NBFCs having access to cheap funds entered into the traditional area. OSFC would not withstand the competition with these institutions due to operational limitation. Therefore, the performance of SFCs in general and OSFC in particular is adversely affected in terms of volume of Business and preferably during the year under report. Due to discontinuance of sanction and disbursement since last 5 years, the Corporation is solely dependent upon the recovery of the dues. In the prevailing scenario, the Corporation is unable to raise resources at a market competitive rate due to various limitations.

The cost of borrowing and lending of the Corporation are comparatively high in comparison to other FIs and Banks. The Non-Performing Assets (NPA) has gone up in recent times due to non-creation of new loan portfolio, major chunk of the investment to First Generation Entrepreneurs having low equity base, low profitability of the assisted units, high interest rate, inadequate and untimely sanction of working capital by the Commercial Banks followed by repeated natural calamities in the recent past. The embargo on fresh investment of the Corporation continued year after year, as a result of which the Corporation has failed to achieve qualitative loan portfolio.

The performance of the Corporation in key operation area of sanction and disbursement since inception as on 31.03.10 stood at Rs.1306.26 crore and Rs.1305.12 crore respectively to 28209 number of units. The total cumulative recovery of the Corporation as on 31.03.10 aggregated to Rs. 1845.36 crore. OSFC has its major presence in preparing seed bed for blooming MSMEs in the State. It has financed in all areas including transport, tourism, mining and service sector. It has also provided financial assistance in marine sector to boost up export earning. Keeping in view of the up-liftment of rural artisans, it has provided loan under composite loan scheme.

The State Government has withdrawn restriction for fresh investment. The MoU with SIDBI and State Government has already been executed by the Corporation on 16.11.09 to avail the line of credit at market competitive rate. During the year under review the principal collection decreased to Rs.17.74 crore against Rs.32.50 crore in the previous year registering a decline of 45.41 % . The interest income increased from Rs.20.28 crore during the year 2008-09 to Rs. 21.10 crore during 2009-10 registering growth of 4.04% in comparison to previous year.

PROSPECT OF OSFC

During the past few decades the crucial role played by OSFC in providing financial assistance to First Generation Entrepreneurs in decentralized sector, an activity which no other financial institution had under taken. In Orissa, the commercial Banks having free access to cheap public deposits have not invested up to the desired level in these risky areas in comparison to deposits received.

In the post liberalization & globalization scenario, the relevance of OSFC is discussed in the line of profitability leaving aside the contribution of OSFC to the State as well as to National Economy. The percentage of net NPAs to net loan and advances stood at 99%. In the past, OSFC raised high cost fund to repay low cost borrowings on maturity and fell in to debt trap. The lending activities of OSFC declined progressively and ultimately stopped since 2005. Its cumulative loss amounted to Rs.375.76 crore. It is worthwhile to mention that the net-worth has grown from Rs.7.94 crore to Rs.9.74 crore and capital adequacy has become 8.76% from 7.60 %.



Recently the State Government has realized the importance of OSFC for development of MSME sector in the State. Without the development of MSME sectors, the desired economic growth of the State can not be achieved & therefore apart from focusing on large & Mega projects, efforts are being made by the State Govt. to develop MSME sectors in the State & after revival, OSFC can take up this challenging job once again. With the upcoming of several Mega Projects in the State, there is ample scope for further investment in ancillary/ down stream industries. In addition, the Corporation is giving priority for revival of potentially viable sick units.

RESTRUCTURING OF OSFC

An Inter Departmental Committee was set up by the Govt. in 2003 to examine the pros & cons of restructuring of OSFC. The committee selected UTI Bank to develop a restructuring package for revival of OSFC. The said Bank furnished its report in March 2004.

The Board of OSFC, IDBI, and SIDBI approved the restructuring package of OSFC. The financial and organizational restructuring of the Corporation was also approved by State Cabinet during Dec'06 and Feb'09.

PROGRESS OF APPROVED RESTRUCTURING PACKAGE OF OSFC.

ORGANIZATION RESTRUCTURING

- ❑ Staff strength has been reduced from 914 to 297 by introduction of suitable VR/VS Schemes.
- ❑ 588 nos. of employees have availed VR/VS Scheme declared by the Corporation from time to time.
- ❑ The State Government has provided Rs. 13.90 crore and OSFC from its own fund paid Rs. 1.35 crore making a total of Rs. 15.25 crore for payment of VR benefit.

DEBT. RESTRUCTURING.

- ❑ IDBI Refinance has been settled at Principal Outstanding only and fully repaid with waiver of interest outstanding of Rs. 21.05 crore.
- ❑ Share Capital of Rs. 38.89 Crore held by IDBI has been transferred to SIDBI with notification by Central Government U/s 4 (H) of SFCs (Amendment) Act, 2000.
- ❑ SIDBI has waived 50 % of interest dues up to 30.09.05 (Rs.48.09 crore) and funded the balance interest of Rs. 48.09 Crore at 0% interest.
- ❑ Interest on SIDBI outstanding reduced to 7.50% per annum from average cost of 12.20 % w.e.f Oct. 2005 on signing of MoU with SIDBI by the State Govt. & OSFC. on dt.16.11.09
- ❑ Outstanding refinance rephased / rescheduled is being repaid in monthly installment @ Rs.1.25 Crore per month. In addition, interest dues are also being paid on monthly basis as per agreed terms on the restructuring of SIDBI Refinance dues. OSFC is regular in paying SIDBI's dues in time. Principal Outstanding of SIDBI as on 31.03.10 stood at Rs.129.65 crore.
- ❑ Government has infused of Rs.254.00 crore towards settlement of SLR Bonds under OTS as per the approved Restructuring Package. Bond liabilities to the extent of Rs. 0.90 crore only are remaining for settlement. Persuasion is being taken for early settlement of Bonds.



FINANCIAL RESTRUCTURING

- ❑ Authorized Share Capital has been raised to Rs.500 .00 crore from Rs.100.00 crore by the Government.
- ❑ Government has converted Rs 40.21 crore (Loan Rs19.76 crore, LISC Rs.6.23crore & Subvention Rs14.22 crore) to Share Capital.
- ❑ The Government infused Rs. 254.00 crore to settle SLR Bonds and converted the infused fund of Rs. 254.00 crore to share capital.
- ❑ The Government has waived Rs.98.36 crore (Guarantee Commission to the extent of Rs 5.59 crore, interest on Loan in lieu of share capital Rs.9.64 crore, Dividend Rs.10.69 crore, interest on loan Rs.72.43crore.
- ❑ The Government has funded Rs13.90 crore for VRS/VSS
- ❑ The Government has allowed resumption of investment. MoU with SIDBI has already been executed on dt. 16.11.09 by OSFC and Govt. to avail line of credit on market competitive rate.

PENDING ISSUES OF RESTRUCTURING

- ❑ Negotiation with SIDBI is continuing to assist capacity building project of OSFC.
- ❑ SIDBI to issue notification for conversion of LISC Rs.6.22 crore & interest thereon Rs. 0.93 crore making a total of Rs. 7.16 crore to share capital.
- ❑ To Issue notification for conversion of dividend payable amount of Rs. 25.48 crore to share capital.
- ❑ Waiver of interest outstanding of Rs.7.42 crore on LISC (up to 31.01.08)

FUTURE PLAN

- ❑ OSFC has already framed the New Credit Policy in line with suggestion of SIDBI.
- ❑ New Credit Risk Module is kept in place to ensure safe investment. Adoption of new credit rating for finalizing investment with assistance from SIDBI .
- ❑ To invest and gradually build up high quality loan portfolio.
- ❑ To associate SIDBI for consortium finance and also capacity building.
- ❑ To create a data bank for MSMEs with assistance from SIDBI.
- ❑ Complete computerization by central processing for delivering service in doorstep.

PROFITABILITY

(i) NET PROFIT

The Corporation's net profit during the year 2009-10 stood at Rs.1.80 crore as against net profit of Rs.2.71 crore during 2008-09 reflecting the decline of 33.58%. The decrease in net profit during the year is driven by decrease in interest income.

(ii) NET WORTH

The net worth of the Corporation has become positive and stood at Rs.9.74 crore as on 31.03.10 compared to Rs.7.94 crore as on 31.3.09 and thereby recording a growth of 22.67%.

(iii) CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio has also become positive and stood at 8.76% as on 31.03.10 compared to 7.60% as on 31.03.09 against the benchmark of 9% set by SIDBI.



FINANCIAL PERFORMANCE

INCOME & EXPENDITURE

The Gross income earned by the Corporation during 2009 -10 amounted to Rs.23.47 crore comprising of interest on loan and advance of Rs.21.10 crore which includes interest accrued on standard loan amounting to Rs. 0.41 crore and excludes interest income on agency loan and other income of Rs.2.37 crore as against Rs.23.28 crore in 2008-09 registering increase in 0.82%. The personnel and administrative expenses, which were Rs.8.30 crore in 2008-09, has gone up to Rs. 8.44 crore during 2009-10, registering a growth of 1.68%. The Corporation switched over from Cash System of Accounting to Accrual System of Accounting as per SIDBI guidelines since F.Y.08-09. Interest income during the year includes interest accrued but not due up to 31.03.10 on standard assets and staff advances. The financial expenses includes accrued interest on all borrowing not due for payment but accounted for while personnel and administrative expenses includes the expenses for full year chargeable under cash system and all expenses due up to 31.03.10. The total income for the year has marginally increased to Rs.23.47 crore (previous year Rs.23.28 crore) while total expenses has also reduced to Rs.19.59 crore (previous year Rs.21.40 crore).

FEE BASED BUSINESS ACTIVITIES.

In the Business Plan of the Corporation for 09-10, emphasis is given to diversify the business activities to Non-Fund Based area through better deployment of its existing human capital and to recognize additional income from the new activities to improve the viability of the Corporation. The Corporation has undertaken the following fee based activities and to explore new avenues on a continuous basis.

- Marketing of Insurance products.(Life & General)
- Valuation of assets.
- Preparation of Project Profiles.
- **Marketing of Insurance Product:**

The Corporation with a view to augment fee based income had tied up with M/s HDFC Standard Life Insurance Company and M/s New India Assurance Company Limited to market both Life Insurance and General Insurance products to its borrowers and others on commission basis. Strategy has been drawn up to boost up the business from the new activities, which would be complementary to the core activities in future.

- **Valuation of assets:**

The Corporation, leveraging its rich experience with the pool of technocrat from various disciplines, is providing asset valuation service at a reasonable fee. Therefore, the Corporation took up the new challenge of taking up valuation of the asset at a pre-determined fee structure.



■ Preparation of Project Profile:

The Corporation is in the business of Project Identification, Loan appraisal, Monitoring and Follow-up activities for the last five decades. It has successfully achieved its goal for the industrialization of the State. The manpower available with the Corporation is well versed with the finer minutes of loan management to MSMEs. Therefore, OSFC took up the responsibility of preparation of the project profile for MSMEs at an affordable fee. During the current year, the Corporation received encouraging response from perspective entrepreneurs for preparation of project Profiles of various products and process. During the year, the corporation has prepared 55 nos of project profiles of different clients. The Corporation has been able to accomplish the job to the best satisfaction of the customers.

OPERATIONAL REVIEW :

SANCTION

The embargo imposed by the State Government for fresh investment has been withdrawn during the current fiscal. The MoU with SIDBI & Govt. has been executed on 16.11.09. to avail refinance at market competitive rate. After discontinuance of lending for a period of five years, the Corporation could be able to sanction Rs. 0.93 crore during the year. Focus has been given to mobilize a sizable number of proposals in the coming years. The cumulative sanction as on 31.03.10 stood at Rs.1306.26 crore.

DISBURSEMENT

The cumulative disbursement as on 31st March 2010 stood at Rs.1305.12 crore to 28207 units.

RECOVERY

Recovery of the loan dues has become the thrust area of operation and has been given prime importance by the Corporation to achieve the twin objective of reduction of NPA as well as desired level of resource mobilization. Keeping an eye on these objectives, the Corporation had reactivated the existing system in the preceding years by decentralizing most of the activities for timely decision coupled with better NPA management. The annual recovery target has been distributed on monthly basis among the 17 branches basing on their loan portfolios and all the employees of the branch offices were involved in the process.

During the year the overall recovery of Rs.40.25 crore has become possible due to dedicated team spirit of the employees of the corporation, continuous monitoring by the management and more specifically due to introduction of Modified OTS 07 Scheme, in spite of prolonged industrial recession in the economy. During the year 2009-10, under Modified OTS -07 Scheme, the Corporation has received 2691 nos. of cases having outstanding amount of Rs. 550.26 crore for a settlement amount of Rs.72.63 crore. 869 number of loan accounts were settled under OTS and Rs.21.29 crore has been realized during the current fiscal. The Corporation waived / sacrificed interest / penal interest amounting to Rs.105.75 crore and Principal of Rs.0.03 crore for settling these accounts under OTS.



During the year, 7 nos. of DDAC and 31 nos. of BLDC meetings were held in which the Corporation had advertised for sale of assets in respect of 246 nos. of units U/s 29 of SFCs' Act 1951. Out of these, 51 nos. of units could be sold for a total amount of Rs.4.38 crore (principal dues from these units amounted to Rs.4.70 crore). Against this sale, only 35 cases could be materialized for Rs.1.23 crore (principal balance dues against these cases stood at Rs.2.40 crore as on 31.03.10). The Corporation could not yield the desired result on this front due to continuous industrial recession, deterioration in the value of security and obsolescence of technology. Moreover, there is lack of interest on the part of the prospective buyers to purchase seized assets taken over U/s. 29 of the State Financial Corporations Act, 1951 due to huge arrear dues and other statutory liabilities.

The recovery particulars of the year are shown in **Table- 1**.

TABLE - 1		Rs. in crore			
PARTICULARS		Principal	Interest	Others	Total
1	Term Loan	16.95	21.08	-	38.03
2	Agency operation Loan	0.79	0.02	-	0.81
3	Unadjusted Recovery through OTS, Seizure & Sale, Rephasement & Other Receipts*	-	-	1.34	1.34*
	Total	17.74	21.10	1.34	40.18**

***Rs. 1.34 crore includes (Advance against OTS Rs. 2.45 cr., Rephasement Rs. (-) 0.11cr., SDDP (-)Rs.1.74 cr., and others Rs.0.74 cr.).**

**** Excludes commercial loan of Rs. 0.07cr.**

The percentage of net demand to loan outstanding (Principal) is 41.58 % and the percentage of amount collected to recoverable is 3.98%. The Corporation has therefore, decided to streamline its procedures further and also to adopt new strategies for the purpose of making improvement on the recovery front.



The position of recovery for the year is given in **Table-2**.

TABLE-2		Rs. In crore	
Particulars	Principal	Interest	Total
Outstanding default in the beginning of the year	366.09	2086.56	2452.65
FITL as on 01.04.09	-	39.33	39.33
Sub Total	366.09	2125.89	2491.98
Current demand during the year	8.68	329.13	337.81
Gross Total	374.77	2455.02	2829.79
Less i) Waiver through deferment / OTS	-	105.75	105.75
ii) Recovery	19.08	21.10	40.18*
Gross Demand	355.69	2328.17	2683.86
Add/less for adjustment arising out of reconciliation	-	20.45	20.45
Total	355.69	2307.72	2663.41
Less Prin./ Interest on account of loss assets & doubtful assets (iii)	200.97	1452.92	1653.89
Net Demand as on 31.03.10	154.72	854.80	1009.52
Closing outstanding as on 31.03.10	372.10	2307.72**	2679.82
Percentage of recovery against net demand (Pri.)			12.33
Percentage of recovery against net demand (Int.)			2.47
Percentage of recovery from recoverable			3.98
Percentage of net demand to loan O/s (Pri.)			41.58

* It includes Recovery from Agency Operation of Rs.0.81 crore and excludes recovery from commercial loan of Rs. 0.07cr.

** Interest Outstanding of Rs.2307.72 crore includes FITL outstanding of Rs. 39.33 crore as on 01.04.09.

SEIZURE AND SALE

The position regarding seizure of units under section 29 of the SFCs Act and their disposal during 2009-10 is given in **Table-3**.

TABLE - 3	Rs. in Crore		
	No.	O/s Amt.	
Particulars (U/s 29) 2009- 10		Pri.	Total
Cases pending for disposal at the beginning of the year	632	55.51	338.72
Cases taken over u/s 29 during the year	40	5.04	37.17
Total	672	60.55	375.89
Cases disposed through DDAC & BLDC (sale price Rs.4.38 Cr.)	51	8.40	41.26
Cases released to original loanee including OTS cases	48	4.67	20.25
Total	99	13.07	61.78
Cases pending for disposal at the end of the year including partly sold & sales pending for materialization.	573	47.48	314.11



During the year, the Corporation took over 40 units U/s 29 involving arrears of Rs.37.17 crore (Pri.Rs.5.04 crore) similarly, 99 cases were disposed off involving an outstanding amount of Rs.61.78 crore (Pri. Rs.13.07 crore).

COURT CASES

The position regarding section 29 cases is given in **Table-4**.

TABLE -4	Rs. In crore	
	Outstanding	
Particulars	No.	Amt.
Pending at the beginning of the year	199	59.91
Filed during the year	50	19.59
Disposed of during the year	93	30.79
Pending for disposal at the end of the year	156	48.71

The Corporation usually takes recourse to section 31 when application of section 29 still leaves an unrealized amount against a unit's total outstanding or when for some reason or the other it is not possible for the Corporation to take action under section 29. Besides, the Corporation for recovery of its dues has filed cases under section 31 of SFCs Act and before DRT. Details in respect of cases filed by the Corporation under section 31 of the SFCs Act are given in **Table -5**.

TABLE - 5	Rs. In crore	
Particulars (u/s 31)	No.	Amt.
Pending at the beginning of the year	755	109.46
Filed during the year	38	47.79
Disposed of during the year	52	5.66
Pending for disposal at the end of the year	741	151.59

FOLLOW-UP

Follow-up of the project is done with the twin objectives of ensuring their timely completion and monitoring their post-implementation performance. For project under implementation, the progress is ascertained during the inspection for valuation. The promoters are advised to take necessary steps for timely completion of the project in order to avoid time and cost overrun. So also, periodical inspections are conducted after the projects are commissioned in order to ascertain the health of the enterprise and to ensure timely repayment. Cases of incipient sickness are detected while conducting follow up inspections and the Corporation is taking up prompt remedial measures in close coordination with bankers for smooth running of the enterprise.



REVIVAL OF SICK UNITS

The detailed position regarding identification and rehabilitation of sick industries is given in **Table - 6**.

TABLE - 6		
Particulars	As on 31.03.2009	As on 31.03.2010
Identified as sick	1690	1690
Viability study completed	1683	1684
Prima-facie not viable including cases approved under OTS	1016	1017
Rehabilitation package approved		
- with additional loan	322	322
- without additional loan	345	345
Cases under study	7	6
Modernization Package Sanctioned	27	27

AUTHORISED AND PAID-UP SHARE CAPITAL

The authorized share capital of the Corporation has been enhanced from Rs.100 crore to Rs. 500 crore. State Govt. has converted LISC outstanding of Rs. 6.22 crore to share capital and proposal has been submitted to SIDBI for conversion of balance outstanding loan in lieu of share capital of Rs.6.23 crore to share capital.

The position of share capital and loan in lieu of share capital is indicated in **Table-7**

TABLE - 7		Rs. in Crore	
Particulars	As at 31.03.2009	As at 31.03.2010	
Issued			
- Ordinary	136.00	421.00	
- Special	4.00	4.00	
- Preference	260.00	-	
Total	400.00	425.00	
Subscribed and paid-up			
- Fully allotted (Ordinary)	84.57	84.57	
- Fully allotted (Special)	3.00	3.00	
- pending for allotment	294.20	294.20	
Total	381.77	381.77	
Loan in lieu of Share Capital(SIDBI)	6.23	6.23	
Sub Total	6.23	6.23	
Grand Total	388.00	388.00	



RESOURCE MANAGEMENT

The details of resource mobilization during the year is indicated in **Table -8**.

TABLE - 8		Rs. In crore.	
Particulars	2008-09	2009-10	
Increase in paid-up capital pending allotment			
- State Govt.	23.16		-
- SIDBI	-		-
Sub-total	23.16		-
Refinance	-		-
- SIDBI	-		-
Sub-total	-		-
Bonds	-		-
Recovery (Net)	46.57		40.25
Borrowing from RBI	-		-
State Govt. loan	-		-
Others	10.65		5.14
Total	80.38		45.39

The overall sources and uses of funds during the year are given in **Table -9**.

TABLE - 9		Rs. In Crore	
Sources	2009-10	Uses	2009-10
Opening Cash/Bank	33.51	Disbursement	-
SIDBI refinance	-	SIDBI repayment (Prin.)	15.00
C.I.S.	1.59	C.I.S.	0.92
Recovery	40.25	Int. & Other charges paid	10.81
Subvention	-	Admn. Exp.	8.44
Other Income	2.38	Redemption of Deposit	0.04
Other Receipts	1.18	Funded Interest	18.98
		Others	1.58
Prior Period Adjustment	1.85	Closing balance	24.99
Total	80.76	Total	80.76



PROFIT & LOSS POSITION

The Corporation has earned net profit consecutively for the 5th years and the net profit for the year under report is Rs.1.80 crore. The interest income increased by 0.82 crore (Rs.20.28 crore during the previous year to Rs.21.10 crore this year). Non-interest income decreased by 21% i.e. by Rs.0.63 crore (from Rs.3.00 crore during previous fiscal to Rs.2.37 crore this year). Personnel expenses have been increased from Rs.7.60 crore in 2009-10 to Rs.7.39 crore in 2008-09 i.e. raised marginally by Rs.0.21 crore due to payment of regular increments in salary and allowances. Other expenses decreased by 7.69% i.e. by Rs.0.07 crore (from Rs.0.91 crore during 2008-09 to Rs.0.84 crore in 2009-10).

Know Your Customer (KYC) Norms & Anti Money Laundering (AML) Standards

SIDBI has circulated policy guidelines of KYC & AML Standards compiled on the basis of RBI guideline issued to commercial banks, for compliance by SFCs. The Board of the Corporation has already approved the Policy framework on KYC & AML in line with various provisions enumerated by SIDBI. One senior officer has been designated as principal officer who is in turn responsible for monitoring and implementation of KYC norms and AML Standards. The guidelines were issued with the aim to develop & evolve a robust system to prevent abuse of financial institutions for combating financing of terrorism. The objective of this policy is to prevent OSFC from being used intentionally or unintentionally by criminal elements for money laundering activities. The KYC procedures would enable to understand the customer and their financial dealings which in turn help the Corporation to manage the risk prudently.

COMMITTEES

The Committee approach for decision making was continued to ensure efficiency and transparency in working system. Committees set up for various purposes functioned well during the year. For better governance, the Corporation de-centralized the process of decision making with an appropriate delegation of power to committees namely Executive Committee (EC), Default-Cum-Disposal Advisory Committee (DDAC), Branch Level Disposal Committee (BLDC), One Time Settlement Advisory Committee (OTSAC) & Branch Level One Time Settlement Advisory Committee (BLOTSAC).

AUDIT COMMITTEE

The Corporation has a full-fledged Audit Committee. The said Committee comprises of the following members.

- | | | |
|----|--|----------|
| 1. | Sri A.K.K.Meena, IAS, Managing Director, IPICOL | Chairman |
| 2. | Sri Hemant Sharma, IAS,
Director of Industries. | Member |
| 3. | Sri K.N. Khatai, IAS,
Managing Director, OSFC | Member |
| 4. | Sri Kirpal Singh, G.M., SIDBI | Member |
| 5. | Sri J.K.Sahoo, F.C.A. | Member |

During the year under reference the Audit Committee met twice on 12.06.09 & 17.08.09 and reviewed Internal Audit observations, Action Taken Report on Internal Audit observations, Annual Accounts including Profit & Loss Account and Balance Sheet for F.Y, 2008-09 with notes thereon and compliance thereof.



RISK MANAGEMENT COMMITTEE

The Corporation has developed two in-house credit risk rating modules in order to improve the quality of in-house credit appraisal and to mitigate credit risk. One module is for term loans (new units) and the other one is for additional term loan for existing projects in lines with other SFCs' credit rating modules.

DEFAULT REVIEW COMMITTEE / MANAGEMENT OF NPAs

One of the important functions of Recovery is to manage the Non Performing Assets (NPAs). Appropriate and timely action is of utmost importance in reducing NPAs. The Corporation has introduced performance benchmarks for various areas of recovery which inter-alia includes month wise as well as quarter wise recovery target, assets wise collection, collection by sale of units and settlement through OTS etc. By stringent monitoring process, the Corporation has been able to arrest further deterioration in the assets base.

HUMAN RESOURCES

One of the key features for success of an organization is availability of highly skilled and committed human resources. The Corporation is bestowed with the professionals backed by rich experiences in their initiative coupled with the dedication and commitment in discharging duties by all employees have contributed for the efficiency growth, increased performance and image of the Corporation. The staff strength of the Corporation stood of 297 comprising from various disciplines as on 31.03.10.

TRAINING

The Corporation continued to give emphasis on enhancement of skill of the officers/staff of the Corporation in order to equip them in changing competitive environment. During the year, the Corporation has nominated six officers for external training programme conducted by Andhra Pradesh State Financial Corporation, Hyderabad and Gopabandhu Academy, Bhubaneswar, to enhance their knowledge base for customer friendly services.

ROAD AHEAD

The Corporation continued to operate in a highly competitive environment during the year under report. Lending operation is not in force since last 5 years due to embargo imposed by the State Government. The restriction imposed by Govt. has already been lifted and MoU with SIDBI has been executed. The lending Policy has already been framed to explore the avenues of new business activities. The Corporation is aiming to capture considerable business in the ensuing years.

In the coming years the Corporation will continue to work towards further improving operational and financial parameters, reduction of NPAs and overall improvement in profitability. With the continued support from the Government of Orissa, SIDBI, Committed Management and dedicated services of the Staff, the Corporation aims to turn around within next 2 to 3 years.



CLASSIFICATION OF ASSETS & PROVISIONING THEREOF

The assets classification and provisioning thereof is made as follows:

(Rs. in Crore)

Asset Category	Outstanding Loans		Rate of Provisions		Provision (Loan)		Net Assets (Loan) Outstanding	
	As on 31.03.10	As on 31.03.09	Current Year	Previous Year	As on 31.03.10	As on 31.03.09	As on 31.03.10	As on 31.03.09
Standard								
Direct Loan	2.79	7.00	0.25%	0.25%	0.607	0.02		
Personal Loan	0.40	0.25	2%	2%	0.008	0.01		
Vehicle & Housing Loan	0.54	0.65	0.40%	0.40%	0.002			
	3.73	7.90			0.02	0.03	3.73	7.90
Sub Standard	2.20	23.96	10%	10%	0.22	2.40	1.98	21.56
Doubtful - I	45.56	47.39	20%	20%	9.11	9.48	36.45	37.91
Doubtful - II	119.63	111.95	30%	30%	35.89	33.58	83.74	78.37
Doubtful - III	49.68	63.69	100%	100%	49.68	63.69	-	-
Loss	151.29	149.45	100%	100%	151.29	149.45	-	-
Total	372.09	404.34			246.21	258.63	125.90	145.74

- Standard Assets as on 31.03.10 includes Rs.0.52Cr. representing House Building Advance and Rs.0.02 crore representing vehicle advance to employees.
- Loan outstanding and Net Assets as on 31.03.10 includes Principal + Other Charges.
- AS per RBI/ SIDBI norms, no netting is required for provision for standard assets.

Provisioning has been made in conformity with prudential requirement. There is 1.23 % increase in loss assets (reduced from Rs.149.45 crore as on 31.03.09 to Rs.151.29 crore as on 31.03.10) and decrease in doubtful assets by 3.66 % (decreased from Rs.223.03 crore as on 31.03.09 to Rs.214.87 crore as on 31.03.10). Similarly, the standard assets have been decreased by 52.78 % and substandard category decreased to the extent of 90.82% due to re-classification of assets as on 31.03.10 basing on Recovery & Accounts position. There is deterioration in asset quality on discontinuation of investment since last five years. Total required provisioning as on 31.03.2010 has been assessed & estimated at Rs.246.21 crore.

AUDIT

INTERNAL AUDIT

The Internal Audit & Inspection Department of the Corporation has been dis-charging its traditional role in reviewing the accounting and financial transactions of the Branches. It focused its attention mainly on review and evaluation of NPA accounts of the loan portfolio and suggested remedial measures for boosting up recovery



and up-gradation of the status of NPA accounts. The audit department acts as a tool in the hands of the management to assess and provide meaningful feedback on the achievement of specified goal and corporate objectives by adhering to the pre-determined policies and procedures. It acts as a significant constituent of the corporate governance mechanism. Over and above, Internal Audit conducts verification of loan accounts settled under various OTS Schemes on random basis and findings thereon are incorporated in the audit report. In addition, two new segments namely "Critical Observation" and "Internal Control Lapses" have been included. The former segment analyses and highlights critical issues which needs to be brought to the notice of Management whereas the later segment points out lapses in key function areas resulting in leakage of revenue. During the current year the Internal Audit and Inspection Department has covered only three Branches because the audit officials were engaged in the settlement of OTS proposals of the loanees. The internal audit reports were placed to the Audit Committee and submitted four Reports covering operational and accounting aspects. The Management has already initiated necessary action on the observation made in the audit reports.

The position of audit conducted and reports submitted during the year is given below:

1	No. of reports pending for submission at the beginning of the year	01
2	No. of audits completed during the year	03
3	No. of audit reports submitted during the year	04
4	No. of audit reports pending for submission at the end of the year	Nil

STATUTORY AUDIT

The Corporation appointed M/s. Rajesh Kumar Jhunjhunwalla & Company, Chartered Accountants, Bangalisahi, Cuttack as Statutory Auditor in the Annual General Meeting held on 11.09.2009 to conduct the Audit of the Books of Accounts of the Corporation for F.Y.2009-10 basing on the recommendation of the Reserve Bank of India Under Section 37 (1) of SFC Act. The auditors have completed the Statutory Audit for the F.Y. 2009-10.

A.G.AUDIT

Each year C & A.G. of India has been conducting audit of the Corporation under section 37 (6) of SFCs Act, 1951. Audit report of the C & AG of India on the accounts of the Corporation needs to be placed before the Legislative Assembly of the State along with the Annual Accounts and Auditor's Report U/s 37 (7) of SFCs Act. Basing on the observation of Audit Report of C & AG, Industries Department. of Govt. of Orissa has advised the Corporation to include the available report of C & AG in the Annual Report of the Corporation separately. Accordingly, the audit report of C & AG in respect of FY 2008-09 with compliance thereof is appended separately in this report.

COMPUTERISATION

The Corporation is planning to enhance its Information Technology capacity to handle the post revival business of the Corporation. As a prelude to increase IT capacity, all Branch Offices of the Corporation have been provided with Broadband internet connectivity for data transfer and information interchange with Head Office. The Corporation has extracted the maximum benefit from its existing IT infrastructure and intends to replace it by state-of-the-art Hardware and Software. For a start, during the financial year some age old hardware have been replaced. The rest of the hardware would be replaced with state-of-the-art hardware once the current application software is replaced with proposed ERP (Enterprise Resource Planning) software. By increasing its IT capacity the Corporation expects to enhance the efficiency of employees and executives to serve the entrepreneurs.



ORGANISATIONAL RE-ENGINEERING

The internal re-structuring measures like Budgetary Control System, Austerity Measures, and Reduction in Personnel expenses were initiated. The corporate target fixed for the year was distributed among the branches, which were further sub-divided among the individual officer and staff working in the branches.

GRIEVANCE REDRESSAL CELL

In order to expedite quick redressal of the grievance petitions/representations received from the entrepreneurs, a Grievance Cell at the Corporate Office is functioning. During the year, the cell has received 8 nos. grievance petitions from Govt./other agencies and disposed of 19 cases including the cases of previous year. Besides, the Cell is taking prompt action with regard to redressal of grievances published in various Newspapers relating to activities of O.S.F.C.

PUBLIC RELATIONS & CORPORATE COMMUNICATIONS

Publicity and Public Relation activities continued to be perused by the Corporation for dissemination of information about its activities as well as for attracting new potential entrepreneurs. The investment manual and lending policy on the schemes were up dated and available in the web-site of the Corporation.

VIGILANCE CELL

Vigilance cell headed by Deputy General Manager, as Chief Vigilance Officer (CVO) is in operation at Corporate Office, to look into the grievances & complaints of entrepreneurs and public at large for ensuring observance of rules and guidelines as prescribed from time to time by the Corporation. The Cell has been able to convey a positive message in the public by attending genuine grievances and complaints promptly and focuses much on preventive vigilance. This will pave the functioning of OSFC as transparent as possible.

RIGHT TO INFORMATION CELL

The Corporation, following the operational guidelines of Orissa Right to Information Rules, 2005, has implemented Right to Information Act 2005. In accordance to the said Act & Rules, the Corporation has appointed Public Information Officer, Asst. Public Information Officer and Appellate Authority at its Head Office. In addition, one Public Information Officer and one Appellate Authority for each Branch Office has also been appointed to enable the Citizens to secure access to information under the control of the Organization. With a view to promote transparency and accountability, necessary information for public has been placed in the web site of the Corporation, which are being up-dated in regular interval. Names of the Appellate Authority and Public Information Officers and Asst. Public Information Officers stationed at Head Office and 17 nos. of Public Information Officers along with equal nos. of Appellate Authority stationed at Branch offices have been notified. The pending applications at the beginning of the year stood at 16 nos. During the year, 92 nos. of applications have been received, out of which 105 applications have been disposed leaving 3 nos. of applications as pending. All the appeals received have also been disposed of within the stipulated period.

CORPORATE GOVERNANCE

The Corporation is committed to upholding high level of ethical standard of Corporate Governance in all its operations. The effective implementation of the philosophy of the Corporate Governance depends upon adaptation of the cardinal principles which inter-alia include independence, credibility, accountability, responsibility, transparency, fair and timely decision making etc. The Board of the Corporation is constituted as per the provisions of SFCs (Amendment) Act, 2000. The Directors on the Board are professionally qualified having vast experience in the areas of banking and Industry. The Board of Directors meets regularly, provides effective leadership, and monitors executive performance and review management policies. During the year, the Board adopted a calendar



of review, which enables flow of critical information to the Board periodically. Various aspects like investment policy, OTS Policy, Recovery Policy, Annual Business Plan, cash flow statements, overall assessment of financial position, actual performance vis-à-vis target in key result areas, Status of NPAs etc. were periodically reviewed and appropriate policy directives were given by the Board during the year under report, which helped the Corporation in many ways during the year under review.

BOARD OF DIRECTORS

1. **Chairman :**

Sri P.R.Das, Ex-Executive Director of SIDBI has been re-nominated by SIDBI as a Non-official Chairman of the Corporation during the year 2009-10

2. **Managing Director :**

Sri K.N. Khatai, IAS was appointed as the Managing Director of the Corporation by the Government of Orissa w.e.f. 31.01.08. He continued as the Managing Director during the year 2009-10.

3. **Board of Directors :**

The Corporation is managed by a Board of Directors constituted under Section-10 of the SFC's (Amendment) Act.2000.

The Board of Directors places on record high appreciation of the valuable services and acknowledged the contribution made by Sri A.K.K.Meena, IAS. The Board also expressed its deep appreciation to the outgoing Directors Shri M.N.Rao, Chief General Manager, State Bank of India, LHO, Bhubaneswar, Dr. D.V.Ramanna, Professor, Finance, Xavier Institute of Management of Bhubaneswar and Shri Subhendu Kumar Mishra, Additional Secretary to Govt. Finance Department, Government of Orissa, Bhubaneswar .

ACKNOWLEDGEMENT

The Board of Directors wishes to place on record its gratitude to the Government of Orissa in the Departments of Industries, Finance and Public Enterprises for their continuous support and guidance. The Board also wishes to express its gratitude to SIDBI and Banks for their continuous support for OTS/Restructuring of institutional dues.

The Board also places on record its appreciation for the co-operation and encouragement received from the Directorate of Industries, Industrial Promotion and Investment Corporation of Orissa Ltd., Orissa Industrial Infrastructure Development Corporation, Orissa Small Industries Corporation, District Industries Centers, Life Insurance Corporation of India, State Bank of India and other Scheduled Commercial Banks.

The Board also expresses its gratitude to the Shareholders of the Corporation for their confidence and support reposed in the Corporation.

The Board of Directors avail themselves of the opportunity to thank the entrepreneurs for their contribution to the industrial growth of Orissa. The Board takes this opportunity to convey their appreciation for commitment, hard work, dedicated efforts and positive energy put by the Managing Director, officers and staff of the Corporation in the overall development of the Corporation and look forward to their continued support and co-operation in future.

**Sd/-
Managing Director**



***Statement
of
Accounts***



RAJESH K. JHUNJHUNWALA & CO.

CHARTERED ACCOUNTANTS

HEAD OFFICE

BANGALI SAHI, CUTTACK -753 009

Phone : (0671) 2517528

E-mail: rkjcuttack@yahoo.co.in

To

The Shareholders,
Orissa State Financial Corporation,
Cuttack-753 003

AUDITORS' REPORT

1. We have audited the attached Balance Sheet of Orissa State Financial Corporation as at 31st March 2010 and the Profit and Loss Account annexed thereto for the year ended on that date in accordance with the provisions of section 37 of the State Financial Corporations Act, 1951 as amended by SFCs (Amendment) Act, 2000.
2. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of our audit, subject to our observation/comments as mentioned in point no.8 below and Notes on Accounts as contained in Schedule-V, we report that:

4. We have obtained all the information and explanations both from Head Office and Branches which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
5. In our opinion, proper books of accounts have been kept by the Corporation so far as it appears from our examination of those books.
6. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts.

BRANCHES: - NEW DELHI & KOLKATA



RAJESH K. JHUNJHUNWALA & CO.

CHARTERED ACCOUNTANTS

HEAD OFFICE

BANGALI SAHI, CUTTACK -753 009

Phone : (0671) 2517528

E-mail: rkjcuttack@yahoo.co.in

7. In our opinion, the Balance Sheet and Profit and Loss Account are in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India.
8. The following are our observations/comments:
- i) With reference to Note No.9.1, fixed assets also include those assets where ownership is yet to be transferred to the Corporation in view of the restraint order from different courts.
 - ii) During the year the Corporation has strengthened its internal audit system through its own Internal Audit Department by covering more branches under the scope of Internal Audit.
9. In our opinion and to the best to our information and according to the explanations given to us, the said accounts of the Corporation read with the Schedules and above observations give the information required by the State Financial Corporation Act, 1951 as amended by the State Financial Corporation (Amendment) Act, 2000 and are properly drawn up in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- i) In the case of said Balance Sheet, the State of Affairs of the Corporation as at 31st March,2010.
 - ii) In the case of Profit and Loss Account, the profit for the year ended on that date.
 - iii) The Cash Flow statement gives a true and fair view of the cash flows for the year ended on that date.

Cuttack

Dated : 16th , June, 2010

**FOR RAJESH K. JHUNJHUNWALA & CO.
CHARTERED ACCOUNTANTS**

Sd/-

**(RAJESH K. JHUNJHUNWALA, FCA DISA)
PARTNER, Membership No.055762**

BRANCHES: - NEW DELHI & KOLKATA



ORISSA STATE FINANCIAL CORPORATION
BALANCE SHEET AS ON 31st MARCH, 2010

Particulars	Schedule Ref.	As on 31st March 2010 (Rs.)	As on 31st March 2009 (Rs.)
CAPITAL AND LIABILITIES			
Capital	A	3,817,780,400	3,817,780,400
Loan pending conversion to Share Capital	B	62,250,012	62,250,012
Reserves and Surplus	C	237,907,502	234,307,071
Bonds and Debentures	D	12,740,500	12,568,000
Deposits	E	1,175,859	1,525,859
Borrowings	F	1,680,181,835	2,006,963,520
Other Liabilities and Provisions	G	1,008,239,362	961,886,167
TOTAL		6,820,275,470	7,097,281,029
ASSETS			
Cash and Bank Balances	I	249,906,600	335,146,710
Investments	J	3	3
Loans and Advances(Net of provisioning for NPA)	K	1,253,623,244	1,450,938,797
Fixed Assets	L	220,411,692	222,309,541
Other Assets	M	1,083,365,395	1,061,515,717
Dividend Deficit		255,324,955	255,324,955
Profit and Loss Appropriation Account		3,757,643,581	3,772,045,306
TOTAL		6,820,275,470	7,097,281,029

SIGNIFICANT ACCOUNTING POLICIES U
NOTES ON ACCOUNTS V
THE SCHEDULES REFERRED TO ABOVE FORM AN
INTEGRAL PART OF THE BALANCE SHEET

As per our Report of even date

For RAJESH K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



ORISSA STATE FINANCIAL CORPORATION
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	Schedule Ref.	2009-10 (Current year) (Rs.)	2008-09 (Previous year) (Rs.)
INCOME (A)			
Income from Operations (Interest)	R	210,959,608	202,785,588
Other Incomes	S	23,745,796	29,977,310
Total Income (A)		234,705,404	232,762,898
EXPENDITURES (B)			
Interest Expended	N	107,859,351	127,541,407
Other Financial Expenses	O	251,040	169,165
Personnel Expenses	P	75,991,511	73,948,367
Administrative Expenses	Q	8,409,835	9,105,512
Depreciation	L	3,415,199	3,283,582
Bad Debts Written off		367	-
Total Expenditure (B)		195,927,303	214,048,033
OPERATING PROFIT (C = A - B)		38,778,101	18,714,865
PROVISIONS (D)			
Interest income reversed and appropriated towards Principal under OTS Rs.160517919		36,700,804	(118,083,855)
Less : Provision for NPA added back Rs.123817115			
Provision against Standard Assets (Added back)		(79,000)	(89,000)
Total Provisions (D)		36,621,804	(118,172,855)
Profit / (Loss) before tax (C) - (D)		2,156,297	136,887,720
Less: Provision for Taxation/ Fringe Benefit Tax		0	248,806
Profit after Tax		2,156,297	136,638,914
Add: Net prior period Adjustments	T	15,845,859	109,453,392
Profit/(Loss) Carried to P & L Appropriation A/C		18,002,156	27,185,522

THE SCHEDULES REFERRED TO ABOVE FORM AN
INTEGRAL PART OF THE PROFIT AND LOSS ACCOUNT

As per our Report of even date

For RAJESH K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



ORISSA STATE FINANCIAL CORPORATION
PROFIT AND LOSS APPROPRIATION ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2010

Particulars	Schedule Ref.	2009-10 (Current year) (Rs.)	2008-09 (Previous year) (Rs.)
Balance as per last Balance Sheet - General Reserve/ (Accumulated Loss)		(3,772,045,306)	(3,793,793,724)
PROFIT / (LOSS) FOR THE YEAR AS PER PROFIT AND LOSS ACCOUNT		18,002,156	27,185,522
SPECIAL RESERVE (U/S 36(1) (viii) OF THE INCOME TAX ACT, 1961)		3,600,431	5,437,104
PROFIT TRANSFERRED TO GENERAL RESERVE/ (ACCUMULATED LOSSES)		(3,757,643,581)	(3,772,045,306)

As per our Report of even date

For RAJESH K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE A - SHARE CAPITAL

	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
AUTHORISED 50000000 SHARES OF RS.100/- EACH	5000000000	5000000000
ISSUED	5000000000	5000000000
(A) 42100000 (13600000) ORDINARY SHARES OF RS.100/- EACH ISSUED U/S(4)(2) OF SFC's ACT, 1951	4210000000	1360000000
(B) 400000 SPECIAL SHARES OF RS.100/- EACH ISSUED U/S 4-A OF SFC's ACT, 1951	40000000	40000000
(C) 26000000 Preference SHARES of Rs.100/- each issued U/S 4(2) of SFC's (Amendment) Act, 2000	-	2600000000
	4250000000	4000000000
SUBSCRIBED & PAID UP		
(A) 8457305 (8457305) ORDINARY SHARES OF RS.100/- EACH FULLY ALLOTTED, U/S 6 (1) OF THE SFC's ACT 1951 AMENDED BY SFC's (AMENDMENT) ACT, 2000. (6120 share surrendered for retirement in pursuant to Sec-6(1) of SFC's (Amendment) Act, 2000)	845730500	845730500
(B) 300000(300000) SPECIAL SHARES OF RS.100/- EACH FULLY ALLOTTED U/S(4) (A) OF THE SFC's ACT,1951 AS AMENDED BY SFC's (AMENDMENT) ACT, 2000	30000000	30000000
(C) SHARE DEPOSITS PENDING ALLOTMENT *	2942049900	2942049900
TOTAL:	3817780400	3817780400

* Allotment of 29419299 nos. of shares amounting to Rs.29419.30 lakh has been approved by the Board for allotment in favour of Government of Orissa as per approval of Government and SIDBI u/s 4(2) & 4(3) of SFCs (Amendment) Act, 2000. Issue of Share Certificates under process.



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE B - LOAN PENDING CONVERSION TO SHARE CAPITAL

	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
STATE GOVERNMENT		
Loan in lieu of Share Capital	12	12
SMALL INDUSTRIES DEVELOPEMNT BANK OF INDIA (LISC)	62250000	62250000
TOTAL:	62250012	62250012

SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE C - RESERVES, FUNDS & SURPLUS

	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
(A) DISTRIBUTABLE PROFITS		
1 GENERAL RESERVES (U/S 35 of SFC's ACT)	148000	148000
2 SPL. RESERVE (U/S 36(1) OF I.T.ACT,1961)	33652237	30051806
SUB TOTAL (A)	33800237	30199806
(B) NON DISTRIBUTABLE PROFITS		
i) SPECIAL RESERVE FUND (U/S 35-A OF SFC's ACT,1951)	3431872	3431872
ii) REVALUATION RESERVE	200675393	200675393
SUB TOTAL (B)	204107265	204107265
TOTAL (A+B)	237907502	234307071



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE D - BONDS

	Category	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
(A)	OSFC Bonds (Guaranteed by State Govt. U/S 7(1) of SFC's Act.1951 AS AMENDED BY SFC's (AMENDMENT) ACT, 2000		
i.	41st series. (10000) 11.5% Bonds (20 years) of Rs.100/- Each redeemable on 27.10.2009	-	1000000
ii.	46th series. * 5000 (5000) nos. 11.5% Bonds (20 years) of Rs.100/- Each redeemable on 05.09.2011	500000	500000
	Sub Total	500000	1500000
(B)	Interest Accrued & Due on Bond	3740500	3568000
(C)	Bonds Redemption Accrued & Due **	8500000	7500000
	Total (I) + (II)	12740500	12568000

** Bond redemption Accrued & Due includes

Overdue of SLR Bond

11.5% 41st Series	Rs. 10.00 lacs
13% 49th Series	Rs. 15.00 lacs
14.00% 57th Series	Rs. 50.00 lacs
12.50% 63rd Series	<u>Rs. 10.00 lacs</u>
	<u>Rs. 85.00 Lacs</u>



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE E - DEPOSITS

Category	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
TERM DEPOSITS (U/S 8 OF THE SFC'S ACT 1951) AMENDED BY SFC's (AMENDMENT) ACT, 2000 - Redemption accrued and due	1175859	1525859
Total	1175859	1525859

As per the RBI Guidelines the Corporation is not authorised to raise fresh deposits from public u/s 8 of SFCs Act, 1951 and accordingly acceptance of deposits has been discontinued from August'03. Deposits are accrued and due for payment, pending for surrender of Deposit Receipts / instruments by concerned depositors.

SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE F - BORROWINGS

Category	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
LONG-TERM BORROWINGS		
(A) REFINANCE (U/s 7(4) of SFC's Act, 1951 AS AMENDED BY SFC's (AMENDMENT) ACT, 2000		
i. From Small Industries Development Bank of India	1296465042	1446465042
ii. 0% Funded Loan	291100000	480886698
iii. Interest Accrued & Due on Refinance	9103729	-
Sub Total	1596668771	1927351740
(B) INTEREST ACCRUED AND DUE (LISC) On Loan-in-lieu of Share Capital - SIDBI	83513064	79611780
Sub Total	83513064	79611780
TOTAL	1680181835	2006963520



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE G - OTHER LIABILITIES AND CONTINGENT PROVISIONS

Category	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
A OTHER LIABILITIES		
I. SUNDRY DEPOSITS	572532472	556703137
II. UNCLAIMED DIVIDEND	2340	2340
III. EXCESS AMOUNT PAYABLE ON SALE OF MORTGAGED/ HYPOTHECATED ASSETS	8266566	16014239
IV. STALE CHEQUES	85486	99416
V. GRATUITY FUND	28663	11300
VI. DIVIDEND PAYABLE	255324955	255324955
VII. INTEREST ACCRUED BUT NOT DUE ON BONDS	4096	-
VIII. LIABILITY FOR OTHER EXPENSES	1389878	664902
IX. EXCESS RECOVERY REFUNDABLE ON LOAN ACCOUNT	2648466	3838508
X. SHARE OF STATE GOVT. & OTHERS PAYABLE- LOANEE	1386495	1386495
XI. AGENCY FUND		
(a) St. Govt. Seed Money Fund	17549232	17773712
(b) St. Govt. Soft Loan Fund	3313755	3313755
(c) St. Govt. M.M. Assistance Fund	5108315	5108315
(d) SIDBI Seed Capital Fund	2116215	2116215
(e) SIDBI National Equity Fund	92342555	76159407
(f) SIDBI SEMFEX Soft Loan Fund	-	39822
XII. OTHER DEPOSITS- AGENCY	45603396	21483124
XIII. LIABILITY FOR CAPITAL EXPENDITURE	135337	135337
SUB TOTAL - (A)	1007838222	960174979
B. PROVISIONS		
XIV. CONTINGENT PROVISION AGAINST STANDARD ASSETS	173000	252000
XV. PROVISION FOR FRINGE BENEFIT TAX	-	78113
XVI. PROVISION AGAINST EXPENSES	228140	1381075
SUB TOTAL - (B)	401140	1711188
TOTAL (A + B)	1008239362	961886167



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE H - PROVISIONS FOR NPA (NON PERFORMING ASSETS)

	AS AT 31.03.2010 (Rs.)	AS AT 31.03.2009 (Rs.)
PROVISION FOR NPA		
i. BALANCE AS PER LAST BALANCE SHEET AGAINST NPA (Including Misc. Exp. On L/A)	2586042000	2704220000
SUB-TOTAL RS.	2586042000	2704220000
ii. ADD: PROVISION DURING THE YEAR against NPA	19214238	110739000
SUB-TOTAL RS.	19214238	110739000
(A) TOTAL (i) + (ii)	2605256238	2814959000
iii. LESS :WRITTEN OFF DURING THE YEAR	287885	94145
LESS: PROVISIONS WRITTEN BACK TO P & L A/C DURING THE YEAR	143031353	228822855
Sub-Total	143319238	228917000
TOTAL (i)+(ii)-(iii)	2461937000	2586042000

SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE I - CASH AND BANK BALANCES

	AS AT 31.03.2010 (Rs.)	AS AT 31.03.2009 (Rs.)
(A) CASH IN HAND	14109902	5855496
(B) BALANCE WITH BANK U/S 33 (2) OF THE SFC's ACT, 1951. AS AMENDED BY SFC's (AMENDMENT) ACT, 2000		
i. Scheduled Banks In Current Accounts	72288316	79344333
ii. Scheduled Banks In Fixed Deposit Accounts	3629710	1720959
iii. Scheduled Banks in Flexi Deposit Accounts	4835388	23304873
iv. Fund Remittance In Transit	0	2432500
v. Scheduled Bank under Escrow Mechanism	155016088	222459346
(C) STAMPS IN HAND	27196	29203
TOTAL	249906600	335146710



**SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE J - INVESTMENTS**

	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
(A) IN SHARES : UNQUOTED - AT COST		
1) M/s. BHASKAR TEXTILE MILLS LTD (400 Preference Shares of Rs.100/-Each)	40000	40000
2) M/s. Mamata Drinks & Ind.Ltd. (3370 Equity Shares of Rs. 100/- Each)	337000	337000
3) M/s.Orissa Industrial and Technical Consultancy Organisation Ltd. (87 Equity Shares of Rs.1000/-Each)	87000	87000
Sub Total	464000	464000
(B) Less provision/depreciation reserve	463997	463997
Net value (A - B)	3	3
Total	3	3

**SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE K - LOAN AND ADVANCES**

	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
1. PRINCIPAL AMOUNT		
(A) Direct Operation		
i. Term Loan under various schemes	3569533877	3886609183
ii. Soft loan under Special Share Capital Schemes	23729947	24151976
iii. Bridge Loan	1850227	1850227
iv. Loan against Govt. Seed Money	655941	655941
v. Loan against IDBI Seed Capital	549996	549996
 INTEREST ACCRUED ON STANDARD LOAN UNDER MERCANTILE SYSTEM	 5311030	 5586396
Sub Total :	3601631018	3919403719
(B) Loan Under Special Schemes		
i. Short Term Working Capital Loan	97630427	100184852
ii. Hire Purchase Loan	5044359	8871165
iii. Commercial Loan to Employees	4031141	2490540
Sub Total :	106705927	111546557
Total (A + B)	3708336945	4030950276
2. Misc. Expenses on Loans & Advances	7223299	6030521
Total (1 + 2)	3715560244	4036980797
3. Less NPA Provision	2461937000	2586042000
NET AMOUNT OF LOANS & ADVANCES	1253623244	1450938797



**SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE L - FIXED ASSETS**

TYPE OF ASSETS	Rate of Depreciation	COST (In Rupees)				DEPRECIATION (In Rupees)				WRITTEN DOWN VALUE		
		As on 31.3.09 (Rs.)	Additions during the year (Rs.)	Sale/Transfer during the year (Rs.)	Addition due to Revaluation (Rs.)	As on 31.3.10 (Rs.)	Up to 31.3.09 (Rs.)	During the year (Rs.)	Additional Depreciation during the year for prior year (Rs.)	Up to 31.3.10 (Rs.)	As on 31.3.10 (Rs.)	As on 31.3.09 (Rs.)
LAND		167155250	0	0		167155250	0	0	0	0	167155250	167155250
OFFICE BUILDING	5%	86268857	167493	0		86436350	33822593	2625140	0	36447733	49988617	52446264
OTHER BUILDING	5%	3000000	0	0		3000000	2150359	42482	0	2192841	807159	849641
VEHICLE	25.89%	8967914	604416	172599		9399731	8480696	213687	0	8694383	705348	487218
FURNITURE & FIXTURE	18.10%	4009173	6187	0		4015360	3151348	155751	0	3307099	708261	857825
OFFICE EQUIPMENTS	13.91%	5440308	11499	1195		5450612	5154369	40641	0	5195010	255602	285939
COMPUTER	40%	11873030	976107	0		12849137	11649716	336509	74978	12061203	787934	223314
ELECTRICAL INSTALLATION & EQUIPMENTS	13.91%	718247	0	0		718247	714157	569	0	714726	3521	4090
LIBRARY	100%	337336	420	0		337756	337336	420	0	337756	0	0
CURRENT YEAR TOTAL		287770115	1766122	173794	0	289362443	65460574	3415199	74978	68950751	220411692	222309541
PREVIOUS YEAR TOTAL		287460052	332575	22542	0	287770115	62176992	3283582		65460574	222309541	225283090

1) Land and Buildings located at Cuttack, Bhubaneswar & Sambalpur were valued at Rs.2273.32 Lakh during the year 07-08 based on valuation certificates of registered valuers resulting in an increase of Rs.2006.75 Lakh in the Gross block of fixed assets and the same is transferred to revaluation reserve during that year. Depreciation for the year was provided for on the revised values of building resulting in an additional depreciation of Rs.16.81 Lakh (Previous year 17.69 lakh)



SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE M - OTHER ASSETS

		As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
i	Stationery & Stores	552815	639700
ii	Advance to Employees	8538905	9961468
iii	Travelling Advance to Managing Director	-	2930
iv	Deposit of Fees - under CPA	237863	257136
v	Other Recoverable Dues		
	(a) Deposit with State Govt. for land	1504541	1449372
	(b) Amount Recoverable from State Govt. against Deputationists	26251	26251
	(c) Advance to Advocates	1135180	2370600
	(d) Advance to Others	1676315	1738117
	(e) Advance for construction of Office building	93109	93109
	(f) Amount Receivable from Gratuity Fund	200000	-
vi	VR - Employee's Ex-Gratia Expenses	-	5142031
	Interest accrued but not due on deposits with bank	1335852	-
vii	Agency Operation		
	(a) Interest on Govt. Soft Loan Recoverable	-	128256
	(b) State Govt. Seed Money Disbursed	14762011	14864176
	(c) State Govt. M.M. Asst. Disbursed	3912995	3912995
	(d) IDBI Seed Capital Disbursed	1000000	1100000
	(e) SIDBI Seed Capital Disbursed	2123378	2123378
	(f) SIDBI NEF Disbursed	89901371	74072329
	(g) State Govt. Soft Loan Disbursed	1854414	1854414
	(h) Service charges IDBI seed capital recoverable	156303	164000
	(i) Service charges SIDBI seed capital recoverable	125249	125249
	(j) SIDBI MUN Soft Loan Fund Disbursed	134600	134600
	(k) Agency commission accrued	225552	212172
viii	(a) Funded Interest - SIDBI Refinance	291100000	480886698
	(b) Payment of Refinance Interest under protest	189786698	-
	(c) Interest Accrued on LISC under consideration of waiver	55257534	56025000
ix	Sale of Mort. Assets Settlement Account (Jt. Finance)		
	(a) IPICOL	33861934	33861934
	(b) Banks (Joint Finance)	1669876	1669876
	(c) IDCO	198149	198149
x	Advance Taxes	5320297	5130948
xi	Disputed payments-under protest	9470485	9470485
xii	Security Deposit- OST Registration	7500	7500
xiii	Security Deposit- CST Registration	5000	5000
xiv	Deposits against Court Directives	43915402	34542677
xv	Security Deposit - Telephone	18000	18000
xvi	Security Deposit - Electrical Installation	273070	273070
xvii	Advance payment of Loan to State Govt.	319054097	319054097
xviii	SIDBI dues paid in advance	3930649	-
	TOTAL	1083365395	1061515717



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE N - INTEREST ON BONDS & OTHER BORROWINGS

	2009-10 (Rs.)	2008-09 (Rs.)
1 Interest on Bonds	176596	297500
2 Interest on SIDBI Refinance	102847036	122424827
3 Interest on Deposits	166969	150330
4 Interest on Loan Conversion to Share Capital	4668750	4668750
Total	107859351	127541407

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE O - FINANCIAL EXPENSES

	2009-10 (Rs.)	2008-09 (Rs.)
I Bank Charges & Commission	52790	26987
II Interest Payment as per Court Directive	198250	142178
Total	251040	169165

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE P - PERSONNEL EXPENSES

	2008-10 (Rs.)	2008-09 (Rs.)
i. Salaries & Allowances		
(a) Managing Director	1069289	386322
(b) Others	64674821	62435701
(c) Honourium to Chairman	50000	45000
ii. Employer's contribution to EPF	7123616	6702704
iii. Medical aid to staff	1039103	1581979
iv. Insurance Premium paid on GIS	171892	157867
v. Leave Encashment	-	848526
vi. Productivity Incentives	790000	832500
vii. Contribution to Employees Group Gratuity Fund-LIC of India	-	505
viii. Gratuity Payment	250375	673285
ix. Contribution to Employees Group Leave Encashment Fund-LIC of India	550000	491661
x. Leave Salary Contribution - Deputationists	138336	-
xi. Pension Contribution - Deputationists	88024	-
xii. Employer's contribution to Staff Welfare Fund	35280	24616
xiv. Ex-Gratia under-VRS	-	572960
xv. HRD Expenses	5775	56649
xvi. Ex-Gratia Payment - Deceased Employees	5000	10000
Sub Total	75991511	74820275
* LESS VRS Assistance from State Govt.	0	871908
TOTAL	75991511	73948367



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE Q - ADMINISTRATIVE EXPENSES

		2009-10	2008-09
		(Rs.)	(Rs.)
1	Travelling Expenses		
	I. Managing Director	102352	21455
	ii. Directors and Committee Members	-	-
	iii. Employees and others	689597	821711
2	Directors and Committee Members Sitting Fee	5000	8000
3	Rent, Electricity & Water Charges	1439924	1613705
4	Computer Stationary	68801	226622
5	Printing & Stationary	539793	223657
6	Publicity & Advertisement	123281	28433
7	Computer Software	-	5200
8	Repairs & Renewals	67196	356702
9	Audit Fees		
	(a) Statutory Audit	96513	98315
	(b) Tax Audit	17235	17556
	(c) AMC Fees & Expenses	4500	-
10	Audit Expenses	30933	42196
11	Other Legal Expenses	16753	189461
12	Professional Fees & Expenses	40782	78115
13	Fees & Subscription	65460	66090
14	Newspapers & Periodicals	33811	33670
15	Rates, Taxes & Insurance	234432	155463
16	Vehicle Repair & Maintenance	166663	137092
17	Telephone Expenses	629948	740710
18	Fuel & Lubricants Expenses	600670	664469
19	Postage Stamps & Telegrams	179186	302870
20	Conveyance Expenses	1368400	1363676
21	Vehicle hire Charges	396149	273590
22	Miscellaneous Expenses	1183671	1086092
23	Fees paid to Advocates	16100	178700
24	Telex & Fax	413	7087
25	Meeting Expenses	126627	117629
26	Computer Servicing Expenses	165645	247246
	TOTAL	8409835	9105512



SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE R - INTEREST INCOME (ON LOANS & ADVANCES)

		2009-10 (Rs.)	2008-09 (Rs.)
I.	Interest on Term Loans	147734803	103557960
ii.	Interest on Soft Loans	1439957	18384
iii.	Interest on FITL	6607890	8504544
iv.	Penal Interest on Loan	36017473	50846315
v.	Interest on Standard Loan	4144616	12737747
vi.	Interest on H.P. Loan	1049409	11588114
vii.	Penal Interest on H.P. Loan	-	5000
viii.	Interest on Short Term Loan	933287	2052141
ix.	Interest on Commercial Loans to Employees	10369	20233
x.	Service Charge on Soft Loan from SIDBI	60094	36734
xi.	Interest on Term Loan against NEF	257280	209954
xii.	Interest on Rephased Loan	8188727	9656013
xiii.	Pre-Payment Premium	45179	51695
xiv.	Interest on NEF Loan (OSFC Share)	4470524	3500754
	Total	210959608	202785588

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT
SCHEDULE S - OTHER INCOME

		2009-10 (Rs.)	2008-09 (Rs.)
I.	Interest on term deposits with Bank	15593540	18913614
ii.	Sale of Forms	89500	186475
iii.	Right to Information Fees	2849	4440
iv.	Miscellaneous Income	3509830	9722933
v.	Interest on Staff Advances		
	(a) Interest on House Building Adv.	1169024	809594
	(b) Interest on Vehicle Adv.	269573	56565
vi.	Misc. Receipt - Recovery Administrative charges	3024100	258200
vii.	Agency Commission	13380	13489
viii.	Processing Charges	72000	-
ix.	Service Charges	2000	12000
	Total	23745796	29977310



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT
SCHEDULE T - INCOME & EXPENDITURES FOR PREVIOUS YEAR

(A) - Prior Year Income	2009-10	2008-09
i) Interest on Refinance excess paid during October'05 to March'08, arrived on recasting of Interest dues by SIDBI at reduced rate of 8% p.a. under Restructuring Package	-	30497719
ii) Interest on Refinance excess paid upto 31.03.09 arrived on recasting of interest dues by SIDBI @7.5% p.a.	19561557	-
iii) Interest on House Building Advance accrued upto 31.03.2008 accounted under mercantile system	-	3154693
iv) Interest Accrued on Flexi Deposits/ Term Deposits with Bank upto 31.03.09 but received/ credited to A/c in 2009-10	2037478	
v) Agency Commission Accrued upto 31.03.08 on State Aid Fund	-	198683
vi) Interest on Vehicle Advance Accrued upto 31.03.08	-	580637
vii) Write back of expenditures excess provided in previous year	32899	-
viii) Interest on Staff Loan accrued upto previous year recovered from terminal benefits/ salary in 2009-10	89916	-
ix) Amount appropriated in earlier years towards principal loan dues, reversed and appropriated in 2009-10 towards Interest on Reconciliation	712256	-
TOTAL	22434106	34431732
(B) - Prior Year Expenditure		
(i) Interest on Bond paid for the period upto 31.03.08 (GMDC EPF Rs.1400000, INDIAN BANK Rs.38722459 and NAA EPF Rs.35000000)	-	75122459
(ii) Interest on Bond accrued & due on Banks of Urban Co-Operative Bank & Kalol Nagarik Sahakari Bank) upto 31.03.08 accounted for under Accrual System	-	3270500
(iii) Interest Accrued on Deposits upto 31.03.08 paid in 08-09 on redemption on Deposits	-	97952
(iv) Interest Accrued on SIDBI Refinance on Govt. Guaranteed portion upto 30.09.05 adjusted during 08-09 out of amount paid towards interest	-	41889744
(v) Audit fees & Tax Audit Fees for 07-08 paid in 08-09	-	115871
(vi) Deferred instalment of Ex-Gratia charged during the year in respect of employees retired under VRS in 05-06	5142031	5142031



(vii) Medical re-imbursement made in 08-09 in respect of expenditures incurred upto 31.03.08	-	20770
(viii) Salary & Allowances and related Expenses for the month of March'08 paid in April'08	-	18180997
(ix) PC received earlier at Paradeep Branch refunded as per Hon'ble High Court Order in 08-09	-	44800
(x) Interest Accrued & due on Loan in lieu of Share Capital during the period 01.02.09 to 31.03.09 paid in 2009-10 to SIDBI	767466	
(xi) Terminal benefits of Late L. D. Dash (Rs.356157) and late Katak Bahadur (2500) accounted for payment in 2008-09 but paid in 2009-10	358657	
(xii) Deduction made in earlier years from terminal benefits of Ex-employees accounted for in 2009-10	183816	
(xiii) Expenditure made in earlier years & utilised, but booked as "Advance to others", regularised in 2009-10 by accounting the transactions as prior year expenses	26710	
(xiv) Depreciation on Computer acquired in earlier years not provided for earlier	74978	
(xv) Employees Contribution to Staff Welfare Fund relating to FY-2008-09 (Rs.12571), Rent for Accomodation of MD (Rs.2472) relating to 2008-09, arrear DA of Ex-employees relating to 2007-08 (Rs.3546) and News Paper & Periodicals bills for the period from July'04 to June'06 (Rs.16000/-) paid in 2009-10	34589	
TOTAL	6588247	143885124
NET (B) - (A)	15845859	109453392



SCHEDULE - U

SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

1.1 The accompanying Financial Statements are prepared on historical cost convention (other than revalued Land & Building) by following going concern concept and conforming to the prevailing statutory provisions and practices, unless otherwise stated.

1.2 Method of Accounting:

In accordance with the norms prescribed by SIDBI for adoption of uniform Accounting policies and practices by SFC's, the Corporation follows the method of Accounting as under:

- a) Loan Portfolio
 - Performing Assets on accrual basis
 - Non-Performing Assets on realization basis
- b) All other items
 - On accrual basis

2. Income Recognition

2.1 Income are accrued except in the case of Non-Performing Assets where it is recognized upon realization as per prudential norms of RBI / SIDBI.

2.2 Accounting of Receipts

The Corporation follows the policy of crediting the cheques recovered on the loanee account only on realization except on 31st March. The cheque received on 31st March against NPA accounts are accounted on receipt basis of 31st March & subsequently realised. Effects in the subsidiary ledger of Loan Accounts are given from the date of realisation.

3. WRITING OFF LOANS

Bad debts are written off through the NPA provision Account. After adjustment of provision residual amount are charged to the Profit & Loss Account. In case of subsequent recovery of Bad debts already written off, recovered amount is recognized as other income in the year of receipt.

4. INVESTMENTS:

Investment in equity shares are considered as current investments and are valued at lower of cost / market value as per guidelines issued by SIDBI/ RBI. Investments are stated at purchase price less provisions for erosion in the value of investment made, in accordance with the guidelines prescribed by SIDBI.

5. Loans & Advances:

5.1 The assets under loans and advances have been classified as per prudential norms set by SIDBI/RBI.

5.2 The Miscellaneous Expenses on loans and advances recoverable from the loanees are being shown under Loans & Advances.



5.3 Amounts received from loanees are credited in the books of accounts and appropriated in the following order.

1st Other charges, 2nd Additional and Penal interest, 3rd Interest Accrued & due, Last Principal. However, in case of One Time Settlement(OTS), sale of Seized Assets U/s 29 of SFCs Act and rephasing / reschedulement cases appropriation are made in the following manner,

One Time Settlement (OTS) Case	Sale of Assets U/s 29 of SFC/s Act cases	Rephasing/Re-schedulement cases
Ist- Principal	Ist - Other charges	Ist Other charges
2nd Other charges	2nd- Principal	2nd Interest & Penal Interest (on funded capital & unrephased portion of loan)
		3rd principal overdues of rephased/Funded capital/ unrephased portion of Loan (1st due 1st adjustment basis)
3rd Additional& Penal Interest	3rd Additional& Penal interest	4th principal of rephased / Funded capital.
Last Interest Accrued & due	Last Interest Accrued & due	5th Principal of unrephased & portion of loan
		6th Interest on FITL
		Last Funded Interest Term loan(FITL)

6. Sharing of Sale proceeds on joint financing cases:

6.1 Sharing of sale proceeds realised on sale of assets of joint financed cases u/s 29 of SFCs Act 1951 are made on prorata basis on loan outstanding of financiers.

6.2 In the case of Joint Finance, Single documentation is done at OSFC level as per the mutual understanding with the Co-Financers.

7. Fixed Assets:

7.1 Fixed assets are recorded at their historical cost and are stated at historical cost less accumulated Depreciation or at their present replaceable value, wherever revalued.

7.2 Capitalisation of Assets:

The Corporation is following the practice of capitalisation of assets at the time of put to use on the basis of cost of acquisition & other expenses directly related thereto.

8. Depreciation:

Depreciation on fixed assets is provided on written down value method at the rates prescribed under Schedule - XIV of Companies Act, 1956 in accordance with the guidelines set by SIDBI for SFCs as follows.



Rate of Depreciation

Building -	5%
Office Vehicle-	25.89%
Furnitures & Fixtures-	18.10%
Office Equipments-	13.91%
Library-	100%
Computers-Hardware & Software	40%
Electrical Installation & Equipments	13.91%

In case of additions to fixed assets during the year, depreciation is charged on pro-rata basis from the date of addition of the fixed assets and in case of sale/transfer/deletion of fixed assets the depreciations charged up to the date of the sale / transfer / deletion of the asset.

9 Retirement Benefits to Employees:

- Provident Fund - The Corporation is having its own P.F. Regulations. Contribution to the Provident Fund are remitted to Board of Administrators, OSFC Employees Provident Fund and charged to P & L Account.
- Gratuity and leave encasement benefits to Employees are covered by OSFC Group Gratuity-cum-life Assurance Scheme and Group leave Encashment Scheme respectively adopted by the Corporation.
- Liability towards Gratuity and Leave encashment salary payable to employee are determined by Life Insurance Corporation of India under the Group Gratuity Scheme and Group leave encashment Scheme of LIC of India. Premium paid to LIC of India against such Schemes & payments made to employees towards gratuity & Leave Encashment salary to the extent not covered by the Group Gratuity Scheme & Group Leave Encashment scheme of LIC are charged to the profit & loss account.

10. ASSET CLASSIFICATION AND PROVISIONING

- Loan Assets are classified based on record of recovery as standard, sub-standard, doubtful and loss and accordingly provision is made as per guidelines issued from time to time to SFCs by IDBI /SIDBI as under :

Provisions

i.	Standard Assets	@ 0.25% of Loan Assistance to SME, @ 0.40% of Housing Loan to Employees and @ 2% of Personal Loans to Employees.
ii.	Sub-Standard Assets	10% of Loan Assistance
iii.	Doubtful Assets	20% / 30%/ 100% of loan assistance depending on the period for which the loan /assistance has remained doubtful. (20% in case of assets remained doubtful for up to 1 years and 30% in case of assets remained doubtful beyond 1 years and up to 3 years and @ 100% in case of assets remained doubtful beyond 3 years).
iv.	Loss Assets	The entire loan (i.e. 100%)



- (b) As per the guidelines issued by SIDBI vide No.592/SFCs (CELL) NPA dated.22/05/2001 provisions made against Standard Assets are not reckoned for arriving at net NPAs. Contingent Provisions against Standard Assets are shown under current liabilities & provisions and are eligible item for inclusion in Tire-II Capital.

11. CAPITAL ADEQUACY STANDARDS/ Risk weight on Assets

Capital Adequacy Ratio has been calculated based on the standards and guidelines issued by SIDBI from time to time to SFCs. Risk weight attached to Assets are as under :-

	Assets	Risk Weights
i)	Cash Balance, Bank Balance with RBI	Nil
ii)	Balance in Current Accounts with Scheduled Banks & fixed assets	20%
iii)	Investments in Govt. Guaranteed Securities of Govt. Undertakings	20%
iv)	Other Investments	100%
v)	Loans and Advances	100%
vi)	Fixed Assets	100%
vii)	Other Assets	100%

12. Agency Functions:

- The funds received from State Government /SIDBI are classified as liabilities.
- The Loans given from these funds are shown separately from the loans given by the Corporation from its own funds under other Assets.
- Such loans are not eligible for NPA provisioning purposes
- Recoveries made against such loans are accounted for as liabilities refundable to the principal.

13. Contingent Liabilities / Assets

Contingent Liabilities are disclosed by way of Notes. Contingent Assets are not recognized.

14. Prior Period Adjustment

Considering the nature of Business all prior period adjustment including those ascertained and determined during the year are accounted as prior period items.

For RAJESH K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



SCHEDULE 'V' NOTES ON ACCOUNTS

1. SHARE CAPITAL:

- 1.1 During the year, issue of 26000000 nos. of preference shares of Rs.100/-/each (decided earlier) has been treated as ordinary equity shares and total issued ordinary equity shares has been raised to 42100000 nos of Rs.100/-/each.
- 1.2 Against Special Share Capital received U/s 4(A) of the SFCs Act.1951 for Rs.300 lakh, the Corporation has disbursed Soft Loan of Rs.411.73 lakh and the outstanding amount of such soft loan as on 31.3.2010 is Rs.237.30 lakh. (Rs.241.52 lakh)
- 1.3 Approval has been accorded by State Government and SIDBI for allotment of ordinary share capital of Rs.294.19 crore in favour of Governor, Orissa and is under the process of issue of share certificates.
- 1.4 In exercising options U/s 6(1) of SFC's (Amendment) Act 2000, 6 nos of share holders, holding 6120 nos of shares of Rs.100/-/each had surrendered the share certificates for retirement at face value of Rs.6.12 lakh. In view of the financial condition of the Corporation, the State Government has directed for retirement of such shares @ Rs.1/-(Rupees one only) each, which is not acceptable to them. The Corporation has requested such share holders to continue to hold the shares till its revival / improvement in the financial health for retirement of the shares at face value.

2. LOAN PENDING CONVERSION TO SHARE CAPITAL:

Loan in lieu of Share Capital of Rs.6.225 Crores is under process for conversion to Share Capital. Confirmation from SIDBI is awaited.

3. RESERVE FUNDS AND SURPLUS

In terms of Sec-36(1)(viii) fo the Income Tax Act,1961, Corporation has transferred Rs.36.00 Lakh to Special Reserve calculated at 20% of the current year profit of Rs.180.02 Lakh. (Pr.yr.Rs.54.37 lakh at 20% of profit)

4. REFINANCE

SIDBI has recasted the interest dues on refinance @ 7.50% p.a. since October, 2005 and adjusted the excess interest paid at earlier agreed rate towards 0% funded interest loan of Rs.48.09 crores (which was capitalized as 0% funded loan against creation of contra assets pending waiver request petition as on 31.03.08 and shown under Borrowings Schedule-F and with contra under Other Assets Schedule-M) and rescheduled such loan outstanding. Corporation has paid funded interest loan of Rs. 18.98 cr. during the year under protest pending request for waiver under restructuring package.

5. DIVIDEND PAYABLE :

- 5.1. Dividend payable amounting to Rs.255324955 appearing in schedule "G" represents the followings:

- (i) In respect of 'A' & 'B' class share holders

for the years 1981-82 to 1999-2000.

'B' Class	-	SIDBI	Rs.254779847
-----------	---	-------	--------------



(ii) In respect of 'C' & 'D' class share holders

for the year 1991-92 to 1999-2000

Rs. 545108

Rs. 255324955

5.2 No dividend for the year has been declared for non-availability of surplus due to the accumulated loss as on 31.3.2010.

5.3 SIDBI has agreed for conversion of dividend payable amount of Rs.25.48 crore to share capital.

6. **OTHER LIABILITIES:**

Sundry deposit includes Rs.2.59 crore towards sale proceed of assets jointly financed by Orissa State Financial Corporation, IPICOL & SBI. Sharing of the same among co-financers is under the process of reconciliation and confirmation. Effects of such sharing on account is not ascertained.

7. **LIABILITIES FOR RETIREMENT BENEFITS**

7.1 For payment of Gratuity and leave encashment salary, the Corporation employees are covered under Group Gratuity Scheme & Group Leave Encashment Scheme of LIC of India.

7.2 Employees Provident Fund is governed under its own P.F. Regulations formulated with prior approval of State Government and RBI. The fund is managed by Board of Administrators.

7.3 Contribution to above funds are made on accrual basis by charging to Profit and Loss account.

8. **LOANS AND ADVANCES**

8.1 Balance in respect of loanees accounts have been treated as confirmed where there is no dispute regarding the demand notices (which includes outstanding amount) sent by the Corporation. Continuing with the process of reconciliation and adjustment the net difference between General Ledger and Sub Ledger amounting to Rs.44.40 Lakh (Pr. Yr. Rs.49.29 Lakh) has been fully provided for.

8.2 The loans and advances have been shown net of funded interest term loan of Rs.35.39 crore (last year Rs.39.33 Crore)

8.3 During the year 869 loan(392) accounts are settled under OTS and Rs.2129.31 lakh (Rs.2492.83 lakh) has been realised. The Corporation waived/sacrificed Interest/penal interest amounting to Rs.10575.41 lakh (Rs.4926.33 lakh) and principal of Rs.3.37 lakh (Rs.0.01 lakh) for settling these accounts under OTS (which has been adjusted from provisions). The interest sacrifice /waiver is made from Loan Memorandum A/c.

8.4 As on 31.3.2010 Interest dues of Rs.2307.72 (Rs.2086.56 Crore) is outstanding for recovery on loan accounts of NPA Loanees as per loan memorandum account which is not recognized as income.

8.5 During the year, the Corporation had advertised for sale of assets in respect of 246 nos of units(253 nos) u/s 29 of the SFC Act, 1951. Out of these, 51 nos.(86 nos) of units could be sold for a total amount of Rs.4.38 crore (Principal dues from these units amounted to Rs.4.70 crore) (Pr.yr. Rs. 7.08 crore) Against this, sale in 35 cases(64 cases) could be materialised for Rs.1.23 crore (Principal balance dues against these cases stands at Rs.2.40 crore as on 31.03.10)(Pr. Yr. Rs. 5.26 crores)



8.6 Corporation filed money suit U/S 31 of SFC Act, 1951 in respect of 741 nos of units involving Rs.151.59 crore (755 nos Rs.109.46 Cr.)

8.7 As on 31.03.10, 2976 nos. of units are identified as closed units involving credit exposure of Rs.113.26 Crore (3395 nos. Rs.125.09 Cr). Total overdue against these accounts is Rs.797.88 Crore (Principal Rs.102.55 Cr. and Interest Rs.695.33 Cr.)

9. FIXED ASSETS

9.1 Premises also include those where ownership formalities are pending for execution due to restrain order from different Courts.

9.2 Land and Building shown under schedule 'L' is inclusive of Rs.32.50 lakh representing the cost of Hotel Alankar (P) Ltd., acquired by the Corporation but the possession thereof could not be taken due to dispute.

10. INCOME TAX

10.1 No provision for Income Tax for the year has been made, as the liability for the same does not arise.

10.2 Income Tax Assessment has been completed up to the Assessment Year 2007-2008. & Tax relating to A.Y. 2008-2009 is under the process of Assessment. No extra tax liability is expected.

11. CLASSIFICATION OF ASSETS & PROVISIONING THEREOF

11.1 The assets classification and provisioning thereof is made as follows: (Rs. in Crore)

Asset Category	Outstanding Loans		Rate of Provisions		Provision (Loan)		Net Assets (Loan) Outstanding	
	As on 31.03.10	As on 31.03.09	Current Year	Previous Year	As on 31.03.10	As on 31.03.09	As on 31.03.10	As on 31.03.09
Standard								
Direct Loan	2.79	7.00	0.25%	0.25%	0.607	0.02		
Personal Loan	0.40	0.25	2%	2%	0.008	0.01		
Vehicle & Housing Loan	0.54	0.65	0.40%	0.40%	0.002			
	3.73	7.90			0.02	0.03	3.73	7.90
Sub Standard	2.20	23.96	10%	10%	0.22	2.40	1.98	21.56
Doubtful - I	45.56	47.39	20%	20%	9.11	9.48	36.45	37.91
Doubtful - II	119.63	111.95	30%	30%	35.89	33.58	83.74	78.37
Doubtful - III	49.68	63.69	100%	100%	49.68	63.69	-	-
Loss	151.29	149.45	100%	100%	151.29	149.45	-	-
Total	372.09	404.34			246.21	258.63	125.90	145.74

- ◆ Standard Assets as on 31.03.10 includes Rs.0.52Cr. representing House Building Advance and Rs.0.02 crore representing vehicle advance to employees disclosed under Advance to Employees - Other Assets - Schedule M.
- ◆ Loan outstanding and Net Assets as on 31.03.10 includes Principal + Other Charges.
- ◆ AS per RBI/ SIDBI norms, no netting is required for provision for standard assets.



11.2 In respect of consortium finance cases the classification of loans and advances is done based on the record of payment of borrower with the Corporation.

12. **SEGMENT REPORTING (AS-17)**

The Corporation operates as a single unit with single profit centre and has concentrated mainly on its term lending activity. It has started some non fund based activities of sale of the product of LIC & GIC of India also but the segment of non fund based activity has not been reported as the same are not reportable segment as per AS-17 issued by ICAI.

13. **DEFERRED TAX ASSETS & LIABILITIES (AS-22)**

Since the Corporation has the experience of past losses and considering the huge available carry forward losses and allowances/ prudence factor, there dose not seem to be any reasonable certainty that sufficient future taxable income will be available against which the deferred taxes assets could be realized therefore, no provision has been made towards deferred tax assets / liabilities in accordance with AS-22.

14. **CONTINGENT LIABILITIES ENVISAGED BY THE CORPORATION**

Estimates

- i. Arrear Salary and related expenses - Rs.6.19 Crore (from 1.1.96 to 31.10.2001)
- ii. 156 nos. of cases filed against the Corporation involves claims of Rs. 48.71 Crore (199 cases Rs.59.91 Crore)
- iii. Arrear DA and related expenses - Rs. 0.27 crore (1.7.09 to 31.3.10)
- iv. Consultancy Fees of Rs.5.00 lac payable to AXIS Bank Ltd.
- v. VR benefits held up in respect of 11 voluntary retirees Rs.0.31Cr (Pr. Yr.11nos. Rs.0.31 Cr) and interest for delay in refund of VR assistance to Government Rs.0.05 Cr.

15. **RELATED PARTIES DISCLOSURES**

As required by the Accounting Standard-18 issued by the Institute of Chartered Accountants of India, the disclosure of details pertaining to related party transactions are as follows:

The Key Management personnel of the Corporation during the year

- (i) Sri P.R. Das , Chairman from July'08
- (ii) Sri Kabindra Nath Khatai, IAS Managing Director during the year

Gross salary including perquisites / Honorarium

- | | |
|--|----------------|
| (i) Sri P.R. Das , Chairman | Rs. 50000=00 |
| (ii) Sri Kabindra Nath Khatai, IAS, MD | Rs. 1072289=00 |

Outstanding Balance on loans as on 31.03.10

in respect of above person - Nil

Interest on Loan granted to Key Managerial person - Nil

16. **Disclosure Requirements in terms of Chapter II of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997**

- Nil



17. GENERAL

17.1 COMPUTERISATION

Accounts of the Corporation are maintained and generated through Application Softwares of Financial Accounting System and Loan Accounting System. Both the systems are in operation at Branch Office and Head Office. Transfers of Data are made through Internet / Captive Email account for integration/consolidation.

17.2 Restructuring of the Corporation.

The Restructuring Package approved by IDBI, SIDBI and the State Government is under implementation being closely monitored by the State Government. MoU with SIDBI has been signed by the State Government and the Corporation on 16.11.2009

17.3 The Corporation has no suppliers / vendors as such to be classified as required by Micro, Small and Medium Enterprises Developments Act 2006.

17.4 Figures have been rounded up to the nearest rupee.

17.5 Figures mentioned in the brackets relate to previous year

17.6 Previous year's figures have been regrouped/ rearranged and reclassified, wherever considered necessary.

18. DISCLOSURE REQUIREMENT AS PER SIDBI GUIDELINES VIDE

CIRCULAR NO.355/SFC(CELL) DT.4.5.2001

CAPITAL

CAPITAL ADEQUACY

STATEMENT OF CAPITAL FUNDS RISK ASSETS AND RISK ASSET RATIO

Rs.in Lacs

1	CAPITAL BASE	Core Capital	Tier-II Capital	TOTAL Capital
	Ordinary Share Capital	38177.80	-	38177.80
	Loan pending conversion to Share Capital	-	622.50	622.50
	Free Reserve & Surplus	372.32	-	372.32
	Provision on Standard Assets	-	1.73	1.73
	Assets Revaluation Reserve (Rs.2006.75 lakh discounted at 55%)	-	903.04	903.04
	Total	38550.12	1527.27	40077.39
	Accumulated loss	37576.44	-	37576.44
	Net Capital Base	973.68	1527.27	2500.95



2	Risk Weight Adjusted Assets	Amount as per Balance Sheet (Book Value)	Risk weight %	Risk Products
a)	Cash & Bank Balance			
	Cash / Stamp in Hand	141.37	0%	0.00
	Bank Balance with Nationalised/Scheduled Banks and in transit.	2321.40	20%	464.28
	Fixed Deposits with Banks	36.30	20%	7.26
	Total:-	2449.07		471.54
b)	Investments	4.64	100%	4.64
c)	Loans and Advances(including other charges)	37083.37	100%	37083.37
d)	Fixed Assets (Net)	2204.12	100%	2204.12
e)	Other Assets			
	Staff Advance	85.39	100%	85.39
	Others	10748.26	100%	10748.26
f)	Dividend Deficit	2553.25	100%	2553.25
	Total Assets	55173.46	-	53150.57

RISK BAND – RISK BASED ASSETS

Risk Band	Book Value	Risk Product Value	Risk Coverage already provided in accounts	Net Risk Weighted Value
Zero Risk	141.37	0	0	0
20% Risk	2357.70	471.54	0	471.54
100% Risk	52674.39	52679.03	24621.10	28057.93
TOTAL	55173.46	53150.57	24621.10	28529.47

a) CAPITAL TO RISK ASSETS RATIOS/ RISK BASED CAPITAL RATIOS

(i)	CORE CRAR	=	<u>Net Capital Base</u>	973.68	=	3.41% [Pr. Yr. 2.60%]
			<u>Net Risk Weighted Assets</u>	28529.47		
(ii)	Supplementary CRAR	=	<u>1527.27</u>		=	5.35% [Pr. Yr. 5%]
			28529.47			
	CRAR (i+ii)		<u>2500.95</u>		=	8.76% [Pr. Yr. 7.60%]
			28529.47			

b) **NET WORTH** - Rs.9.74 Cr. [Pr. Yr. ? Rs.7.94 Cr.]

(a) The amount of subordinate debt raised during the year as Tier-II Capital

		Nil		Nil
		<u>As on 31-03-10</u>	<u>Previous Year</u>	(Rs.in lakh)
		<u>Gross</u>	<u>Gross</u>	<u>Net</u>
(b)	Risk weighted assets	53150.57	56424.47	30561.53
		28529.47		



c) Share holding pattern as on the date of the Balance Sheet is as follows.

	Ordinary Paid up Sahare Capital		Special Share Capital		Sub Total		Share Deposits Pending Allotment	Total
	No	Amt.	No	Amt.	No	Amt.		
State Government	4702495	4702.495	150000	150.00	4852495	4852.495	29420.499	34272.994
SIDBI	3738935	3738.935	150000	150.00	3888935	3888.935	-	3888.935
Others	0	0	0	0	0	0	-	0
Insurance Companies	8060	8.060	--	--	8060	8.060	-	8.060
Sheduled Banks	6300	6.300	--	--	6300	6.300	-	6.300
Co-Op.Banks	1340	1.340	--	--	1340	1.340	-	1.340
General Public	175	0.175	--	--	175	0.175	-	0.175
Total:	8457305	8457.305	300000	300	8757305	8757.305	29420.499	38177.804

Asset quality and credit concentration

d) Percentage of net NPAs to net Loans & Advances - 100% (94.85%)

e) Amount and % of net NPAs under the prescribed asset classification categories - (Rs in Crore)

	As on 31.3.10		Previous Year	
	Net NPA Amt.	% to Total NPAs	Net NPA Amt.	% to Total NPAs
i) Sub-standard	1.98	1.62%	21.57	15.65%
ii) Doubtful	120.19	98.38%	116.28	84.35%
	122.17		137.85	

f) Amount of provisions made during the year towards (Previous Year)

Standard Assets-	(-) 0.01 Crore	(-) 0.01 Cr.
NPAs	1.92 Crore	11.07 Cr.
Investments-	Nil	Nil
Income Tax-	Nil	Nil

g) Movement of Net NPAs (As on 31.3.10) (Previous Year)

Against Sub-Standard Assets-	Rs. -19.58Cr.(Decr. by 90.82%)	Rs.8.32 Cr. (Decr. by 27.83%)
Against Doubtful Assets-	Rs. 3.91Cr.(Incr. by 3.36%)	Rs 6.95 Cr. (Decr.by 5.64%)
Total:-	Rs. -15.67 Cr. (Decr. by 88.63%)	Rs.15.27 Cr (Decr.by 9.97%)



h) Credit exposure as % to Capital funds and as % to Total assets –

	<u>As on 31.03.10</u>			<u>Previous Year</u>		
	<u>Total Credit Exposure</u>	<u>% to Capital fund</u>	<u>%to total assets</u>	<u>Total Credit exposure</u>	<u>% to Capital fund</u>	<u>%to total assets</u>
i) The largest single borrower	283.42	29.11%	0.93%	356.52	(-) 44.92%	1.07%
ii) The largest borrower group	942.82	96.83%	3.08%	1029.81	(-) 129.75%	3.09%
iii) The 10 largest single borrower	2013.69	206.81%	6.58%	2329.98	(-) 293.57%	7.00%
iv) The 10 largest borrower groups	1884.84	193.58%	6.16%	2091.62	(-) 263.54%	6.29%

i) Credit exposure to the five largest Industrial sectors as % to Total loan assets:

<u>As on 31.3.10</u>		
<u>Largest Industrial Sectors</u>	<u>Total Credit Exposure</u>	<u>%Total Loan Assets</u>
1. Food manufacturing	43.60	11.73%
2. Other Chemical & Chemical Prods.	26.19	7.04%
3. Services		
Hotels	19.73	5.31%
Transport	43.26	11.64%
4. Textiles	15.89	4.28%
5. Basic Metals	26.32	7.08%

LIQUIDITY

j) Maturity pattern of Rupee

Assets & Liabilities - (Rupees in Crore)

Items	Less than or equal to 1 yr.	More than 1 yr upto 3 yrs.	More than 3 yrs upto 5yrs.	More than 5 yrs upto 7 yrs.	More than 7 yrs upto 10 yrs.	More than 10 yrs	Total
Rupee Assets	1.41	136.91	119.98	-	-	423.73	682.03
Rupee Liabilities	10.60	168.20	36.79	30.00	24.64	411.80	682.03
Difference	(-)9.19	(-) 31.29	(-) 83.19	- 30.00	(-)24.64	(-) 11.93	-

k) Maturity pattern of foreign currency assets and liabilities - Nil (there is no foreign currency assets and liabilities).

OPERATING RESULTS

a) Interest Income as % to average working fund	<u>2109.60</u>	=	6.61%	(Pr.Yr. 5.86%)
	31939.33			
b) Non- Interest income as a % to average working funds:	<u>237.46</u>	=	237.46	Pr.Yr. 0.87%)
	31939.33			



c)	Operating profit as a % to average working funds	<u>387.78</u> 31939.33	= 1.21% (Pr.Yr. 0.54%)
d)	Return on average assets :	<u>180.02</u> 31939.33	= 0.56% (Pr.Yr. 0.79%)
e)	Net Profit per Employee	<u>180.02</u> 297	= 0.61 lakh (Pr.Yr. 0.91lakh)

19. The disclosure requirements under the RBI guidelines Dt. 7.7.1999 on- Forward rate agreements and Interest rate swap
- During the year the Corporation has not made any such transaction. Nil

For RAJESH K. JHUNJHUNWALA & CO.
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



ANNEXURE-I

**PARTICULARS IN RESPECT OF LOANS AND ADVANCES FORMING PART OF
SCHEDULE - K**

(Rs. In lakhs)

As at 31.03.2009	PARTICUCLARS	As at 31.03.2010
1	Particulars of Loans & Advances	
22256.39	(a) Debts considered good in respect of which the Corporation is fully secured(out of this loan amounting Rs.27424.06 lakh also covered by personal guarantees)	27778.83
16937.65	(b) Debts fully secured but under litigation	8236.25
39194.04	total (a)+(b)	36015.08
-	(c) Debts due by concerns in which one or more Directors of the Corporation is interested as Directors, Partners or Proprietors or Managing Agents or in case of Private Ltd., Companies as members excluding nominee Directors u/s. 27 of SFCs Act.	-
-	(d) Total amount of loans disbursed during the year to concerns in which one or more Directors of the Corporation is interested as Directors, Partners or Proprietors or Managing Agents or in case of Private Limited Companies as members including nominee Directors U/s.27 of SFCs Act.	-
11357.14	(e) (i) Total amount of instalment whether of principal or interest of which default was made at any time during the year.	10444.37
134584.39	(ii) Total amount of instalment whether of principal or interest of which default was made at the end of the year (excluding cases U/s 31 and 29 of SFCs Act).	12436.01
-	(iii) Total amount of instalment whether of principal or interest overdue by concerns in which the Directors of the Corpn. Are interested excluding Nominee Directors U/s. 27 of SFCs Act.	-
10946.28	(iv) Total amount due from industrial concerns against whom legal action has been taken for recovery of the dues U/s 31 of the SFCs Act (incl. Trawlers) taken over by the Corporation U/s of the SFC Act.	15158.83
347.40	(v) Debts guaranteed by the State Govt. Schedule Banks or State Co-operative Banks.	347.40
2	Classification of Loans and Advances according to the size of the industrial units.	
28979.19	(i) Debts due from small scale industrial concerns	25660.74



As at 31.03.2009	PARTICUCLARS	As at 31.03.2010
10214.85	(i) (ii) Debts due from concerns other than those included under above.	10354.34
39194.04	Total	36015.08
	3 Classification of Loans and Advances according to the Constitution of the Industrial Units.	
15304.46	(a) Proprietary	13944.54
2477.68	(b) Partnership	2276.72
222.95	(c) Hindu Undivided Family	222.95
347.40	(d) Co-operatives	347.40
19949.60	(e) Private Limited Companies	18331.52
884.66	(f) Public Limited Companies	884.66
7.29	(g) Trusts	7.29
39194.04	Total:	36015.08



**ORISSA STATE FINANCIAL CORPORATION
CASH FLOW STATEMENT**

PARTICULARS	For the Year ended on March 31 ST , 2010 (CURRENT YEAR) Rs.	For the Year ended on March 31 ST , 2009 (PREVIOUS YEAR) Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	2,156,297	136,887,720
Add: - Depreciation	3,415,199	3,283,582
Cash from Operations (i)	5,571,496	140,171,302
ADJUSTMENTS FOR OPERATING ASSETS / LIABILITIES & OTHER EXPENDITURES		
(Increase)/(decrease) in Liabilities		
Bonds	172,500	(257,182,000)
Deposits	(350,000)	(347,824)
Borrowings	(326,781,685)	(187,284,374)
Other Liabilities	46,353,195	(78,552,633)
Decrease / (Increase) in Assets		
Loans and Advances	197,315,553	190,252,889
Other Assets	(21,849,678)	63,516,452
Other Expenditures		
Direct Taxes Paid	-	(248,806)
Net Prior Period Adjustmet	15,845,859	(109,453,392)
Net Cash Used in Operating Liabilities/ Assets & Expenditures (ii)	(89,294,256)	(379,299,688)
Net Cash (Used in)/ Flow from Operating Activities. (i) + (ii)	(83,722,760)	(239,128,386)
B) CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets	(1,766,122)	(332,575)
Adjustment of depreciation for earlier year	74,978	
Sale of fixed Assets	173,794	22,542
Net Cash from investment activities	(1,517,350)	(310,033)
C) OTHER CASH FLOWS (from financial activities)		
Increase in Share Capital/ Subordinated Debts	-	231,625,000
Adjustment of Reserve towards Int. Accrued upto 31.03.83	-	(207,970)
Net Cash Flow from Other/ Financial Activities	-	231,417,030
NET CASH FLOW/ NET CASH USED DURING THE YEAR (A+B+C)	(85,240,110)	(8,021,389)
Net increase/ (decrease) in cash and Cash equivalents	(85,240,110)	(8,021,389)
Cash & Cash equivalents at beginning of the year	335,146,710	343,168,099
Cash & Cash equivalents at the end of the year	249,906,600	335,146,710

For **RAJESH K. JHUNJHUNWALA & CO.**
Chartered Accountants

Sd/-
(P.C. MOHAPATRA)
J.G.M. (FINANCE)
OSFC

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR
OSFC

Sd/-
(P.R. DAS)
DIRECTOR
OSFC

Sd/-
(RAJESH KUMAR JHUNJHUNWALA)
(PARTNER)



**SUB SCHEDULES FORMING PART OF SCHEDULE-I
CASH & BANK BALANCES**

Balance with scheduled Banks in Current Accounts

Category	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
At Head Office		
SBI, Link Road (Attached)	2271703	2271703
Central Bank of India, Mahatab Road, Ctc.	190849	8228650
Union Bank, College Square, Cuttack. (Withdrawal A/c)	5188197	2822316
HDFC Bank, Bajrakabati, Cuttack	500000	-
Canara Bank, Main Br., Cuttack.	96975	206975
S.B.I. Link Road, Cuttack.	955906	553685
S.B.I. Main Branch, Cuttack.	362942	362942
Andhra Bank, Cuttack.	818572	299009
I.O.B., P.K.Parija Road, Cuttack.	13761127	615441
Syndicate Bank, Ch.Bazar, Cuttack.	254554	3754751
Allahabad Bank, Cuttack Main Branch	1200902	1607968
AXIS Bank, Cuttack	6977972	9477379
IDBI Bank Ltd.	500000	1500000
Allahabad Bank, Madhupatna, Cuttack	39068	1499933
Total----->	33118767	33200752
(1) Cuttack Branch		
AXIS Bank, Cuttack (DEPOSIT)	2069455	2414476
AXIS Bank, Cuttack (WITHDRAWAL)	28820	193560
Total----->	2098275	2608036
(2) Paradeep Branch		
Union Bank of India, Link Road, Ctc (Deposit)	2593376	802546
Union Bank of India, Link Road, Ctc (Withdrawal)	77470	91528
CBI, Neulpur, Chandikhol (Deposit)	619963	989767
Allahabad Bank (Deposit)-Kendrapara	1168565	812985
CBI, Paradeep	343384	165976
Total----->	4802758	2862802
(3) Baripada Branch		
Union Bank (Deposit A/c)	318802	199313
Union Bank (Withdrawal A/c)	127913	131955
Canara Bank, Rairangapur	156924	187974
Total----->	603639	519242



Category	As at 31.03.2010 (Rs.)	As at 31.03.2009 (Rs.)
(4) Balasore Branch		
AXIS Bank, (DEPOSIT)	95872	1579021
AXIS Bank, (WITHDRAWAL)	7167	40132
Union Bank of India (Balasore)	9890	9980
CBI, Bhadrak (deposit A/c)	713576	953476
Total ----->	826505	2582609
(5) Berhampur Branch		
AXIS Bank, (DEPOSIT)	5787741	2802176
AXIS Bank, (WITHDRAWAL)	51659	54694
Total ----->	5839400	2856870
(6) Keonjhar Branch		
Union Bank of India, Keonjhar (Deposit A/c)	160235	1456086
Union Bank of India, Keonjhar (Withdrawal A/c)	17105	29479
Total ----->	177340	1485565
(7) Jeypore Branch		
I.O.B., Jeypur (Deposit A/c)	57000	57000
I.O.B., Jeypur (Withdrawal A/c)	13831	4415
Andhra Bank (Deposit A/c)	402449	3938201
Total ----->	473280	3999616
(8) Bhawanipatna Branch		
Union Bank of India (DEPOSIT A/C)	4065653	-
Union Bank of India (WITHDRAWAL A/C)	36544	-
I.O.B., (withdrawal a/c)	-	19169
I.O.B. (DEPOSIT A/C)	-	3611008
Total ----->	4102197	3630177
(9) Bolangir Branch		
Andhra Bank, Bolangir (Deposit A/C)	6824550	5888961
Andhra Bank, Bolangir (Withdrawal A/C)	104551	179337
Total ----->	6929101	6068298



Category	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
(10) Rourkela Branch		
Union Bank of India, Jharsuguda (Deposit)	14413	288272
AXIS Bank, (DEPOSIT)	725405	1921406
AXIS Bank, (WITHDRAWAL)	31636	11190
Total ----->	771454	2220868
(11) Bhubaneswar Branch		
AXIS Bank (Deposit)		-
Allhabad Bank, Khurda(Deposit A/c)	2626649	1402339
Allhabad Bank, Khurda(Withdrawal A/c)	27661	27829
Union Bank of India(Withdrawal A/c.) Nayapalli	360633	360633
Union Bank of India(Deposit A/c.) Nayapalli	84538	47078
IOB,Nayagarh (Deposit A/c)	35670	35670
Union Bank of India (Deposit) Patia	5281281	6800924
Union Bank of India (Withdrawal) Patia	32892	91306
Total ----->	8449324	8765779
(12) Puri Branch		
Syndicate Bank (deposit A/c)	2627735	4345352
Union Bank of India, Puri(Deposit)	5793	5883
Union Bank of India, Puri(Withdrawal)	13086	31952
Total ----->	2646614	4383187
(13) Sambalpur Branch		
AXIS Bank, (DEPOSIT)	20001	350748
AXIS Bank, (WITHDRAWAL)	9412	37829
Total ----->	29413	388577
(14) Phulbani Branch		
SBI (Deposit A/C)	10359	89846
SBI (Withdrawal A/C)	50102	49657
Allahabad Bank	921	921
Total ----->	61382	140424



Category	As at 31.03.2009 (Rs.)	As at 31.03.2008 (Rs.)
(15) Rayagada Branch		
AXIS Bank (Deposit)	250500	412303
AXIS Bank (Withdrawal)	20571	27683
Total ----->	271071	439986
(16) Angul Branch		
IOB, Dhenkanal (Deposit)	965635	424633
AXIS Bank, (DEPOSIT)	10001	2484174
AXIS Bank, (WITHDRAWAL)	25425	9345
Total ----->	1001061	2918152
(17) Baragarh Branch		
Union Bank (Deposit A/c)	2623	2623
Union Bank (withdrawal A/c.)	22097	22097
AXIS Bank (Deposit)	25000	240894
AXIS Bank (Withdrawal)	37015	7779
Total ----->	86735	273393
Grand Total ----->	72288316	79344333



SUB SCHEDULES FORMING PART OF SCHEDULE - G
SUB SCHEDULE - SUNDRY DEPOSITS

Category	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
Suspense	6657618	8952576
Deposits towards Loan Administration Fees	6700	-
Deposit Towards fees Payable - IED	10600	10600
Deposit for Rephasement	141250	1255450
Advance Deposit towards Interest	-	417494
Employees Medicals Insurance Settlement	-	88501
Security Deposit by Security Service agencies	1352959	1205639
State Investment Subsidy (M & LI)	-	1549529
Interest Subsidy from State Govt. - SPL. Enterprenuer	1023962	1223714
Advance Deposit towards OTS	332877034	308467810
Security Deposit & Down Payment	174411163	191802648
Central Investment Subsidy (M.S.)	3176248	3176248
State Investment Subsidy (H & T Promoters)	753961	753961
State Investment Subsidy (M & L Promoters)	36247685	27783893
EPF Administrative A/c	574386	624386
Govt. assistance for EDP under TASP	1000000	
Central Investment Subsidy (SSI)	111139	111139
LIC Deduction from Salary	94035	97460
Other Deduction - Terminal Dues	630261	630261
Leave Encashment claim settlement received - GLES	-	254491
Liability for Leave Salary	23363	1536
Misc. Deduction Salary-Deputationist	28000	14884
Tax Deduction at Source - Others	39719	42543
Tax Deduction at Source from Salary	-	1158
Co-Operative Loan deduction -Salary	495175	333430
Co-Operative Thriefft Deposits	44210	34910
Employees Union Fees Deduction - Salary	1270	1235
Association Fees ded.-Salary	1480	1500
Staff Welfare Fund	47851	24616
Professional Tax Deduction - Salary	43175	36030
Bank Loan Deduction Salary	458554	480783
Employee's Welfare Fund Deduction-Salary	5860	1809
P.F Advance (Recovered)	249848	169242
Interest on P.F. Advance Recovered	11492	-
Deposits by Loanee as per Court Directives	6803837	2890979
Emplyee's Provident Fund	1370767	1050832
Salary & Allowances Payable	3838870	3211850
Total ----->	572532472	556703137



SUB SCHEDULES FORMING PART OF SCHEDULE - I
SUB SCHEDULE - STAMP IN HAND

	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
Head Office	20527	21608
Bhubaneswar Branch	1017	789
Puri Branch	30	592
Balasore Branch	609	1044
Baripada Branch	361	382
Berhampur Branch	948	1029
Bhawanipatna Branch	18	53
Bolangir Branch	1060	343
Jeypore Branch	121	128
Keonjhar Branch	230	564
Phulbani Branch	516	972
Rourkela Branch	16	46
Rayagada Branch	160	80
Sambalpur Branch	772	546
Angul Branch	811	982
Baragarh Branch	-	45
Total----->	27196	29203

ORISSA STATE FINANCIAL CORPORATION
DETAILS OF REMITTANCE OF FUND IN TRANSIT

Name of the Branch	31.03.2010		31.03.2009	
	Amount Rs.	Date of Receipt at H.O.	Amount Rs.	Date of Receipt at H.O.
BERHAMPUR	NIL	NIL	42500	12.05.09
BALASORE			-	-
BOLANGIR			2000000	04.04.09
JEYPORE			-	-
KEONJHAR			390000	12.05.09
Total----->	0		2432500	



ORISSA STATE FINANCIAL CORPORATION
DETAILS OF FIXED DEPOSIT WITH BANK

Sl.No.	Name of the Bank	As on 31.03.10	As on 31.03.09
		Amount (Rs.)	Amount (Rs.)
1	Union Bank of India, Choudhury Bazar, Cuttack.	1706491	1188453
2	Union Bank of India, Choudhury Bazar, Cuttack.	757856	532506
3	Allahabad Bank, Cantonment Road, Cuttack	1007411	-
4	AXIS Bank Ltd., Rourkela (For Bank Guarantee)	157952	-
	TOTAL ----->	3629710	1720959

ORISSA STATE FINANCIAL CORPORATION
DETAILS OF FIXED DEPOSIT WITH BANK

Sl.No.	Name of the Bank	As on 31.03.10	As on 31.03.09
		Amount (Rs.)	Amount (Rs.)
1	Union Bank Of India, College Square, Cuttack. (ESCROW A/c)	155016088	222459346
2	Union Bank Of India, Main Branch, Cuttack.	4270388	22739873
3	Union Bank of India, Nayapalli, Bhubaneswar	565000	565000
	Total	159851476	23304873



SUB SCHEDULES FORMING PART OF SCHEDULE - I
SUB SCHEDULE - CASH BALANCE

	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
Head Office	1831270	854730
Cuttack Branch	7106	2227
Paradeep Branch	840868	388744
Bhubaneswar Branch	2469467	345868
Puri Branch	233315	357814
Balasore Branch	320897	498776
Baripada Branch	33041	59528
Berhampur Branch	1004234	821065
Bhawanipatna Branch	536713	628693
Bolangir Branch	320969	45945
Jeypore Branch	87215	385074
Keonjhar Branch	391164	191517
Phulbani Branch	69209	366115
Rourkela Branch	827444	419906
Rayagada Branch	539863	55360
Sambalpur Branch	3730230	138189
Angul Branch	340196	195403
Baragarh Branch	526701	100542
Total----->	14109902	5855496

ORISSA STATE FINANCIAL CORPORATION

Details of subscriber-wise Bonds issued, Redeemed, Off-market transaction & Balance outstanding as on 31.03.2010

Rs. In lakh

Sl No.	Name of the Institution	Balance as on 31.03.09	Issued during the year	Off- market transaction		Bond Holding	Redeemed during the year	Balance as on 31.03.10	Redemption on accrued & due as on 31.03.10	Premature Redemption during the year
				Buy	Sell					
1	2	3	4	5	6	7	8	9	10	11
1	Urban Co.op Bank	80.00	0.00	0.00	0.00	80.00	0.00	80.00	75.00	0.00
2	Kalol Nagrik Sahakari Bank	10.00	0.00	0.00	0.00	10.00	0.00	10.00	10.00	0.00
	Total:	90.00	0.00	0.00	0.00	90.00	0.00	90.00	85.00	0.00





SUB SCHEDULES FORMING PART OF SCHEDULE - G
SUB SCHEDULE - OTHER DEPOSITS AGENCY

	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
State Govt. Seed Money Recovered-Agency	1347774	524919
SIDBI NEF Recovered - Agency	30944681	8077632
Int.on State Govt. Seed Money Recovered	988420	950632
State Govt. MM Asst. Recovered	565000	185000
Int.on State Govt. M.M. Asst.Recovered	99635	148285
Soft Loan from SIDBI - (MUN) Recovered	179087	179087
Service Charges SIDBI NEF-Agency	11374855	11185569
State Govt. Soft Loan recovered	103944	232000
Total----->	45603396	21483124

SUB SCHEDULES FORMING PART OF SCHEDULE - M
SUB SCHEDULE - ADVANCE TO EMPLOYEES

	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
House Building Advance	2847000	4222765
Vehicle Advance	20625	33959
Pay Advance	321895	341496
Festival Advance	364346	358346
Medical Advance	1034407	1176624
Office Expenses Advance	680323	754609
Travelling Advance - Employees	726719	781347
Interest Accrued on HB Loan	2326048	2217976
Interest Accrued on Vehicle Adv.	217542	74346
Total----->	8538905	9961468

1. House Building Advance and Vehicle Advance outstandings are taken as Standard Assets for the purpose of provisioning as per SIDBI norms.



SUB SCHEDULES FORMING PART OF SCHEDULE - M
SUB SCHEDULE - ADVANCE TAXES, DEPOSITS & OTHERS

ADVANCE TAXES	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
Income Tax paid under protest	568243	568243
Income Tax Deducted at source	2639779	2450430
Income Tax Refundable by I.T.Dept.	2112275	2112275
Total ----->	5320297	5130948

DETAILS OF DISPUTED PAYMENT UNDER PROTEST	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
Bimala Cement (P)Ltd., Rourkela	6420000	6420000
Indo East Extraction (P)Ltd., Bls	1748000	1748000
Orissa Polytex (P)Ltd., Ctc-	1302485	1302485
TOTAL	9470485	9470485

DETAILS OF DEPOSITS AGAINST COURT DIRECTIVES		As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
1.	Hrisikesh Das(A/c Dibakar Iron & Steel Co (P) Ltd.) with SBI, I/A Berhampur	37729974	33817116
2.	The Registrar, Delhi High Court (28.09.96) A/c. Bombay Amonia (P) Ltd. Vrs. Premier Cold Storage case No.50/95	195224	195224
3.	The Registrar, Delhi High Court (6/8/97) A/c. Bombay Amonia (P) Ltd. F. A. No.354/96	104537	104537
4.	The Registrar, Delhi High Court A/c. Blue Diamond Ice Factory (29/9/99)	395800	395800
5.	The Official Liquidator Orissa High Court (23/12/06) A/c. Coastal Synthetics, Balasore	30000	30000
6.	Union Bank of India, College Square, A/c Blaze Electronics	5459867	-
	TOTAL	43915402	34542677

DIVIDEND DEFICIT ACCOUNT

Particulars On A/c of	As at 31.03.10 (Rs.)	As at 31.03.09 (Rs.)
i. SIDBI	254779847	254779847
ii. Others	545108	545108
Total ----->	255324955	255324955



**STATE FUND ACCOUNT
BALANCE SHEET AS AT 31ST MARCH 2010**

LIABILITIES			ASSETS		
As at 31.03.2009		As at 31.03.2010	As at 31.03.2009		As at 31.03.2009
(Rs.)		(Rs.)	(Rs.)		(Rs.)
4,06,623	STATE FUND	4,06,623	2,83,919	BANK BALANCE	2,83,919
69	DEPOSIT TOWARDS VALUATION OF PROPERTIES	69	3,18,121	LOANS AND ADVANCES	3,18,121
			803,590	INT. ACCD. ON LOANS & ADVANCES	821,525
168	PROPERTIES RECEIVED	168	3,857	LAW CHARGES ON LOANS UNDER LITIGATION	3,857
			850	ADV. TO LEGAL ADVISOR	850
351	SUSPENSE ACCOUNT	351		INSURANCE PREMIUM PAID ON MORTGAGED ASSETS	
1,004,364	INCOME/ EXPENDITURE ACCOUNT	1,022,299	1,238		1,238
1,411,575	TOTAL	1,429,510	1,411,575	TOTAL	1,429,510

FOR ORISSA STATE FINANCIAL
CORPORATION

FOR ORISSA STATE FINANCIAL
CORPORATION

FOR ORISSA STATE FINANCIAL
CORPORATION

Sd/-
(P.C. MOHAPATRA)
JOINT GENERAL MANAGER

Sd/-
(K.N. KHATAI)
MANAGING DIRECTOR

Sd/-
(P.R. DAS)
DIRECTOR



STATE FUND ACCOUNT
INCOME AND EXPENDITURE ACCOUNT UP TO THE YEAR ENDED 31ST MARCH 2010

EXPENDITURE			INCOME		
2008-2009		2009-2010	2008-2009		2009-2010
(Rs.)		(Rs.)	(Rs.)		(Rs.)
384	BANK CHARGES & COMMISSION	384	930,629	INT. ON LOANS & ADV.	948,564
			6,608	LESS REBATE	6,608
	POSTAGE STAMP		924,021		941,956
	EXCESS AMOUNT TRANSFERRED		1,250	PROCESSING CHARGES	1,250
1,004,364	TO BALANCE SHEET	1,022,299	78,537	INTEREST ON DEPOSIT WITH BANK	78,537
			940	INTEREST ON STATE FUND A/C	940
1,004,748	TOTAL	1,022,683	1,004,748	TOTAL	1,022,683

FOR ORISSA STATE FINANCIAL CORPORATION

Sd/-
(P.C. MOHAPATRA)
 JOINT GENERAL MANAGER

FOR ORISSA STATE FINANCIAL CORPORATION

Sd/-
(K.N. KHATAI)
 MANAGING DIRECTOR

FOR ORISSA STATE FINANCIAL CORPORATION

Sd/-
(P.R. DAS)
 DIRECTOR



**MANAGEMENT REPLY ON THE REPORT OF THE STATUTORY AUDITORS FOR
THE YEAR ENDING 31.03.2010**

AUDITORS REPORT	DRAFT COMPLIANCE
<p>1. We have audited the attached Balance Sheet of Orissa State Financial Corporation as at 31st March,2010 and the Profit and Loss Account annexed thereto for the year ended on that date in accordance with the provisions of section 37 of the State Financial Corporations Act,1951 as amended by SFCs (Amendment) Act,2000.</p>	<p>1. No comment</p>
<p>2. These financial statements are the responsibilities of the Corporation's management. Our responsibility is to express an opinion on these financial Statements based on our audit.</p>	<p>2. No Comment</p>
<p>3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. An audit includes examining, on test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.</p> <p>On the basis of our audit, subject to our observation/ comments as mentioned in point no.S below and Notes on Accounts as contained in Schedule-V, we report that:</p>	<p>3. No Comment.</p>
<p>4. We have obtained all the information and explanations both from Head Office and Branches which, to the best of our knowledge and belief, were necessary for the purposes of our audit.</p>	<p>4. No Comment</p>
<p>5. In our opinion, proper books of accounts have been kept by the Corporation so far as it appears from our examination of those books.</p>	<p>5. No Comment</p>



AUDITORS REPORT	DRAFT COMPLIANCE
<p>6. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of accounts.</p> <p>7. In our opinion, the Balance Sheet and Profit and Loss Account are in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India.</p> <p>8. The following are our observations/ comments :</p> <p>i) With reference to Note NO.9.1, fixed assets also include those assets where ownership is yet to be transferred to the Corporation in view of the restraint order from different Courts.</p> <p>ii) During the year the Corporation has strengthened its internal audit system through its own Internal Audit Department by covering more branches under the scope of Internal Audit.</p> <p>9. In our opinion and to the best of our information and according to the explanations given to us, the said accounts of the Corporation read with the Schedule and above observations give the information required by State Financial Corporation Act, 1951 as amended by the State Financial Corporation (Amendment) Act, 2000 and are properly drawn up in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.</p> <p>i) In the case of said Balance Sheet, the State of Affairs of the Corporation as at 31st, March, 2010.</p> <p>ii) In the case of Profit and Loss Account, the profit for the year ended on that date.</p> <p>iii) The Cash Flow statement gives a true and fair view of the cash flows for the year ended on that date.</p>	<p>6. No Comment</p> <p>7. No Comment</p> <p>8. (i) This is the Statement of facts.</p> <p>(ii) No Comment</p> <p>9. No Comment.</p> <p>No Comment</p> <p>No Comment</p> <p>No Comment</p>
<p style="text-align: center;">FOR RAJESH K. JHUNJHUNWALA & CO. CHARTERED ACCOUNTANTS SD/-</p> <p style="text-align: center;">(RAJESH K. JHUNJHUNWALA, FCA DISA) PARTNER, MEMBERSHIP NO. 055762</p> <p>CUTTACK DATED: 16TH, JUNE, 2010</p>	<p style="text-align: center;">Sd/- (K.N. KHATAI) MANAGING DIRECTOR</p> <p style="text-align: center;">Sd/- (P.C. MOHAPATRA) JT. GENERAL MANAGER (FINANCE DEPARTMENT)</p>



Separate Audit Report of the Comptroller and Auditor General of India under section 37(6) of the State Financial Corporation Act, 1951 on the Accounts of Orissa State Financial Corporation for the year ended 31st March, 2009.

The preparation of the financial statement of Orissa State Financial Corporation for the year ended 31st March, 2009 in accordance with financial reporting frame work prescribed under the State Financial Corporations Act, 1951 and the generally accepted accounting principles is the responsibility of the Management of the Corporation. The Statutory Auditors, appointed by the Share holders out of the panel of Auditors approved by the Reserve Bank of India under section 37(1) of the State Financial Corporations Act, 1951 are responsible to express an opinion on these financial statement based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body-The institute of Chartered Accountants of India. This is stated to have been done by them vide their audit report Dt.19th August, 2009.

This Separate Audit report contains the comments of the Comptroller and Auditor General of India on the Accounting treatment only with regard to classification, conformity with the best accounting practices, accounting standards and disclosure norms etc. Audit observations on financial transactions with regard to compliance with the Law, Rules and Regulations (Propriety and Regularity) and efficiency-cum-performance aspects etc. If any are reported through inspection reports/ Comptroller and Auditor General of India's audit reports separately.

I on behalf of the Comptroller and Auditor General of India have conducted the audit of the financial statement of the above said Corporation for the year ended 31st March 2009 under section 37(6) of the State Financial Corporation Act, 1951. This Audit has been carried out independently without access to the working paper of the statutory auditors and is limited primarily to inquiries of the Statutory Auditors and the Corporation's personnel and a selective examination of some of the accounting records. Based on our audit we would like to highlight the following significant matters under section 37(6) of the State Financial Corporations Act, 1951 which have come to our attention and which in our view are necessary for enabling a better understanding of the financial statements and the related audit report issued by the Statutory Auditors.

Balance Sheet

Capital & Liabilities

Other Liabilities & Contingent Provision (Schedule-G)

A-Other Liabilities

1. Sundry Deposits-Rs.55.67 Crore

The above includes Rs.2.59 crore towards sales proceeds of the assets jointly financed by Orissa State Financial Corporation, Industrial Promotion and Investment Corporation of Orissa Ltd, and State Bank of India. Though the Sales were effected between November 2004 and April 2008, sharing of sale proceeds among the Co-financers has not been done nor accounting effect thereof been given in the accounts.



2. Assets

Loans & Advances (Net of Provisioning for NPA). (Schedule -K).

Provision - Rs.258.60 Crore

Loans assistance of Rs.1.25 crore to five promoters under Cuttack and Paradeep branches of the Corporation have been classified as sub-standard, Doubtful Assets-1 and Doubtful assets-II making the provisions at the rate of 10,20 and 30 percent of the Loan assistances respectively although these loan are coming under Doubtful assets-III requiring 100 percent provisioning as per guidelines issued by Small Industries Development Bank of India. Wrong classification of these Loan assets resulted in overstatement of Loan and Advances and under statement of provisions for Non-performing Assets as well as profit by Rs.1.25 crore.

General

3. Share Capital (Subscribed & Paid up) as per Schedule A includes Rs.84.57 Crore (8457305 ordinary shares of Rs.100 each) fully allotted under Sec 6(1) of the State Financial Corporation (SFC) Act,1951. In terms of the new provision in the SFC (Amendment) Act 2000, the Share holders were given option either to convert their existing shares into shares without government guarantee or to accept full payment of the amount invested (face value) by surrendering the shares held . Six Share holders (Viz-Indian Overseas Bank, State Bank of India, The Mayurbhanja Central Co-operative Bank Ltd., The New India Assurance Co. Ltd. And United Bank of India) holdings 6120 numbers of Shares of Rs.100/- each had opted to retire and surrendered the share certificates as on 31.03.2009 and thus were eligible for getting refund of the full value of the shares surrendered. Neither any refund of amount in respect of shares surrender been made nor the fact has been suitably disclosed in the accounts.
4. The Corporation neither placed the annual accounts for the year 2008-09 before the Annual General Meeting (held on 11.09.2009) within four months from the date of closure of financial years nor submitted the same along with a report of the Statutory Auditor to the Comptroller and Auditor General of India within one month (submitted on 28.09.2009) in violation of the Sec-37(5) and 36(1) of the SFC Act 1951.

Place: Bhubaneswar

Date: 12.11.2009

For and on behalf of
The Comptroller and Auditor General of India
Sd/-
(ATREYEE DAS)
ACCOUNTANT GENERAL



Compliance to the C & AG of India Audit Report on Accounts of 2008-09

Balance Sheet	Compliance
Capital & Liabilities	
Other Liabilities & Contingent Provision (Schedule-G)	
A-Other Liabilities	
1. Sundry Deposits-Rs.55.67 Crore	Noted
The above includes Rs.2.59 crore towards sales proceeds of the assets jointly financed by Orissa State Financial Corporation , Industrial Promotion and Investment Corporation of Orissa Ltd, and State Bank of India. Though the Sales were effected between November 2004 and April 2008, sharing of sale proceeds among the Co-financers has not been done nor accounting effect thereof been given in the accounts.	Disclosed in the Accounts of 2009-10 vide Note No.6 (Notes on Accounts - Schedule-V)
2. Assets	Noted. Duly complied in the Accounts of 2009-10
Loans & Advances (Net of Provisioning for NPA). (Schedule -K).	General
Provision - Rs.258.60 Crore	
Loans assistance of Rs.1.25 crore to five promoters under Cuttack and Paradeep branches of the Corporation have been classified as sub-standard, Doubtful Assets-I and Doubtful assets-II making the provisions at the rate of 10,20 and 30 percent of the Loan assistances respectively although these loan are coming under Doubtful Assets-III requiring 100 percent provisioning as per guidelines issued by Small Industries Development Bank of India. Wrong classification of these Loan assets resulted in overstatement of Loan and Advances and under statement of provisions for Non-performing Assets as well as profit by Rs.1.25 crore.	
General	
3. Share Capital (Subscribed & Paid up) as per Schedule A includes Rs.84.57 Crore (8457305 ordinary shares of Rs.100 each) fully allotted under Sec 6(1) of the State Financial Corporation (SFC) Act,1951. In terms of the new provision in the SFC (Amendment) Act	Noted. Disclosed in the Accounts of 2009-10 vide Note No-1.4 (Notes on Accounts - Schedule-V)



2000, the Share holders were given option either to convert their existing shares into shares without government guarantee or to accept full payment of the amount invested (face value) by surrendering the shares held. Six Share holders (Viz-Indian Overseas Bank, State Bank of India, The Mayurbhanja Central Co-operative Bank Ltd., The New India Assurance Co. Ltd. And United Bank of India) holdings 6120 numbers of Shares of Rs.100/- each had opted to retire and surrendered the share certificates as on 31.03.2009 and thus were eligible for getting refund of the full value of the shares surrendered. Neither any refund of amount in respect of shares surrender been made nor the fact has been suitably disclosed in the accounts.

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Noted for due compliances for the FY-2009-10

(K.N. KHATAI, IAS)
MANAGING DIRECTOR

(P.C. MOHAPATRA)
JT. GENERAL MANAGER
FINANCE DEPARTMENT