

Memorandum of Understanding Year 2008-09

Name of the Department of Government of M. P.:

Finance Department

And

Name of the Public Sector Undertaking :

Madhya Pradesh Financial Corporation, Indore
(An ISO 9001:2000 corporation)

PART - I

The Madhya Pradesh Financial Corporation (MPFC) was incorporated on 30 June 1955, under State Financial Corporation's Act 1951 (A Central Act).

The Corporation played pivotal role in the industrialization of the State by providing financial assistance, few of them are as under:

- i) BHEL ancillary units at Govindpura, Bhopal
- ii) Auto Ancillary units at Pithampur
- iii) Soya Extraction plants in the State
- iv) Cotton Ginning Unit in Nimar Region
- v) Pharmaceutical units at Indore
- vi) Pesticide units at Vidisha
- vii) Roofing Tile units at Balaghat
- viii) Vehicle factory/Ordinance factory ancillary units at Adhartal, Jabalpur.
- ix) Service sectors like Hotels in the state (Hotel Jahan-numa, Sayaji, Shree maya, etc.), Hospitals, etc.

MPFC has been awarded *ISO 9001:2000* in January, 2008 and is in force for next 3 years.

(1) Vision and Mission of the Organisation

Vision:-

Being the premier state level financial institution the vision of the Corporation is to provide financial assistance by way of Short Term / Long Term Loan to the Small and Medium Scale Sector and Service Industries and thereby helping in industrial development of the State as well as generation of employment opportunities.

Mission:-

1. Role towards customers:

To provide financial assistance to the borrowers in the SME sector by designing appropriate schemes to suit their specific needs in the most viable and cost effective manner.

2. Role towards employees .

- i. To upgrade skills of the human resources of the Corporation on a regular basis by providing them effective trainings for improving their efficiency and for their career development.
- ii. To provide them the best human resource development practices.

3. Role towards the Government.

- i. To make and implement schemes as per Government Policies for industrial development of the State.

- ii. To reduce dependence on the Govt. for resources and at some point aim to pay dividends also.
- iii. To make it the best Corporation of its kind in the country based on relevant criteria.
- iv. To ensure transparency for employees and customers.

(2) Objectives of the Organisation (Long – term and Short – term)

Long term :

- i. To create customer friendly environment so as to attract / retain good customers by developing fast track financing schemes to suit their financial requirements.
- ii. To create awareness amongst entrepreneurs about latest developments in the SME sector.
- iii. Handholding of SMEs – To establish long lasting relationship.
- iv. To make each Business Development Center (BDC) a profit center and self reliant.

Short term :

- i. Providing Term Loans to Small and Medium Enterprises particularly to first generation entrepreneurs.
- ii. Encouraging development of ancillaries of the Medium Scale and the Small Scale enterprises, such as auto components, food-processing, steel and steel products, information and print media, chemicals and fertilizers, etc.
- iii. To provide Term Loan assistance for establishment of green field projects in small and medium sectors in back-ward and rural areas of the State with a view to ensuring balanced regional growth across the length and breadth of the State.
- iv. To spread credit flow in the backward areas and small towns by extending reach of the Corporation through Business Development Center (BDC).
- v. To diversify the lending risk by laying more emphasis on smaller loans and increasing the number of borrowers.
- vi. To streamline the procedures for quick disposal of loan proposals.

(3) Action Plan and Activities Undertaken by the Organisation to Achieve above Objectives.

The Corporation is laying more emphasis on providing smaller loan in service sector so as to broad base its customer base. For achieving this, 9 Business Development Centres (BDC) with adequate power delegation have been opened. These BDCs have been opened with a view to generate additional business in the service sector without increasing administrative expenses by providing need based minimum staff. Further, stringent budgets have been set for operating expanses. The efforts are being made for non-fund based activities viz. Marketing of Insurance Products of LIC & IFFCO TOKYO General Insurance Company, etc.

PART – II

TARGETS

(A) COMMERCIAL / FINANCIAL

		Rs. In Lakh			Performance Weightage 60%
		07-08 Target	07-08 Achieved	08-09 Target	08-09
1	Sanctions +	17500	16845	15000 *	5
2	Disbursal of Loans +	12000	9727 **	12000	10
3	Recovery of Loan & Intt. Amount against loan disbursed by the Organisation				
	-Principal	7500	8297	7000 #	10
	-Interest	4500	3987	3800 #	10
4	Net NPA	Reduction to 10%	0.00%	Less than 1% of total net portfolio\$	5
5	Operating Profit	(-)1390	122	135	5
6	Repayment of Loan Guaranteed by Govt	1650	1650	1375 *** (Actual due)	5
7	Payment of Intt. on loan guaranteed by Govt.	900	838 (Actual due)	525**** (Actual due)	5
8	Payment of Dividend to GoMP	Nil	*****	Nil	-
9	Payment of Guarantee fee to GoMP @ 1%	50	25 (Actual due)	20 (Actual due)	5

+ The fig. of the disbursement are kept on lower side in comparison to sanctioned amount mainly on the fact that after sanction, the promoter of the unit has to raise capital and make investment towards implementation of the project. The disbursements are made on various stages of implementation and it needs mention that implementation / completion of a project takes time.

The target figs. were fixed based on the collectible amount towards Principal and interest.

\$ The net NPA less than 3 % were estimated keeping in view recessionary trend in the economy. However, as suggested, it is proposed that NPA level will be less than 1 % of total net portfolio.

* The Annual Target for sanctions has been set on a lower side as compared to previous year keeping in view the recessionary trends in over economic scenario, increasing interest rates and low credit off take in SME Sector.

** As an effect of revised RBI instructions for providing refinance to SFCs, the Corporation, during the year 2007-08 like all other State Financial Corporation had to face the difficulties in availing refinance from SIDBI which resulted into curtailment in disbursements.

*** & **** As advance payments have been made to HUDCO, so the actual due will be less as compared to the previous year.

***** Accumulated losses were Rs.24128.75 Lakh as on 31.03.2008 hence operating profit amortized towards losses.

Details of the commercial/financial parameters for last 3 years are given in part-IV.

(B) DEVELOPMENTAL /PROMOTIONAL

		07-08				08-09 Target		Performance Weightage 10 %
		Target		Achieved		Nos	Lakh	08-09
		Nos	Lakh	Nos	Lakh			
1	To organize seminars/ to observe business days at the Business Development Centres and at the District level to increase the presence and client base of the Corporation	5	-	5	-	5	2	2
2	To promote establishment of small commercial set ups and service sector units in backward areas of the state.	135	2000	60	600	75	700	-
3	Capacity building programme for existing SMEs for efficient financial management.	-	-	-	-	5	2	2
4	To Improve and Upgrade Products /Schemes etc.	-	-	-	-	2	-	-
5	Documentation of Successful Projects	-	-	-	-	3	-	2
6	Identification of potential business	-	-	-	-	-	-	2
7	Improvement in Internal Resources of PSU to increase capacity to garner outside funds	-	-	-	-	-	-	2

(C) ADMINISTRATIVE

		Details of Quantifiable Targets For the Year 2008-09			Performance Weightage 15 %
		07-08 Target	07-08 Achieved	08-09 Target	08-09
1	Computerization of Activities e.g. purchase of computers, software, training etc.	MIS to be fully computerized	MIS on performance parameters (sanctions, disbursements and recoveries) have been computerized	Additional /replacement of PCs and associated hardware 15 sets to be procured.	1
2	Automation /E-Governance through contacting people	To be linked with HO	Scheme details, application forms, branch wise contact persons, suchana adhikar booklet available on website.	Updation of latest developments	-

3	Training / Capacity Building of employees in account software etc.	15-20 Officers/Staff to be trained	45	35 (Only 35 employees left for training)	2
4	Customer Satisfaction Measures from 10% randomly selected borrowers	To be taken from 10% randomly selected borrowers	Obtained and found Satisfactory	To be taken from 10% randomly selected borrowers and analysis will be done	4
5	Finalization of Accounts				
	1. Provisional Accounts	2006-07	2006-07	2007-08	1
	2. Completion of Statutory Audit	2006-07	2006-07	2007-08	1
	3. Laying the Audited Accounts in Vidhan Sabha	In winter session	28.11.2007	2007-08	1
6	Ratio of Establishment Expenditure vis a vis Total Expenditure (Total Expenditure will exclude purchase of Goods/Services for resale)	Less than 20%	17.17%	Less than 17%	1
7	Ratio of Establishment Expenditure vis a vis Turnover (Disbursement)	Less than 7.5%	12.50%*	Less than 10%	1
8	Settlement of Government guarantees	-	-	-	-
9	DPCs	-	No DPC was due	1	1
10	ACR completion by	2006-07	All CRs upto 2006-07 completed	2007-08	-
11	Departmental enquiries	-	No pendency	Only one pending, shall be completed.	-
12	Staff Rationalisation	-	-	No action proposed for the present.	-
13	Preparation of 3 years perspective plans for main operational areas 08-09 09-10 10-11	-	-	Study for the strategic planning will be carried out.	1
14	Cost reduction measures	-	-		1

* Due to switching over to mercantile accounting system provision of various expenditures had to be made, excluding the same ratio comes to 9 % approx.

Annual Accounts for the F.Y.2006-07 have been finalized, audited & approved by Annual General Meeting of the Shareholders of the Corporation held on 16th July 2008, the same will be placed before Winter session of Legislative Assembly.

(D) CORPORATE GOVERNANCE

		Details of Quantifiable Targets For the year 08-09			Performance Weightage 15 %
		07-08 Target	07-08 Achieved	08-09 Target	08-09
1	No. of Board Meetings in the year (No.)	05	08	06	1
2	Annual General Meeting (by date)	July 2007	July,2007	31.12.2008	1
3	Filing of Annual Return (In case of Companies)	N.A.	N.A.	N.A.	-
4	Filing of Yearly Annual Income Tax Return	Oct.2007	Oct. 2007	Sept. 2008	1
5	Conduct of Audit Committee meetings (if applicable)	-	Not mandatory	Internal Audit Cell is already functioning	-
6	Filing of Yearly Provident Fund Return	-	N.A.	Not Applicable	-
7	Filing of Yearly Professional Tax Return	-	-	In time	1
8	Filing of half yearly Service Tax Return	June 2007	June,2007	Oct., 2008	-
9	Filing of Quarterly VAT Return	-	N.A.	N.A.	-
10	Filing of Statutory Return with ROC	-	N.A.	N.A.	-
11	Transparency Initiatives	-	-	i. MOU will be available on Website. ii. Website will be updated in time iii. Relevant portions shall be in Hindi	5
12	Formulation of Citizen Charters & its monitoring	-	-	Updated charter shall be prepared	2
13	Guaranteeing Right to Information through Enactment and providing access to the PSU Records	As per the Right to Information Act,2005	Disposal of 32 applications out of 36 has been made. All attended in time	All applications received upto 28.2.09 will be disposed in stipulated time.	2
14	Ratios 1. Return on Net worth % 2. Debt Equity Ratio 3. Earning per share		1.25 1:0.82 Rs.0.37	1.34 1:0.82 Rs.0.41	2

PART – III

EXPECTATIONS FROM GOVERNMENT

The State Government is requested to provide financial support of Rs 5.00 Crore as share capital during 2008-09 as agreed in MOU with SIDBI which stipulates that State Government should provide Capital support to the Corporation.

Managing Director
Madhya Pradesh Financial Corporation

Secretary/Principal Secretary
Finance Department

PART –IV
PERFORMANCE OF PSU (MADHYA PRADESH
FINANCIAL COPROATION) IN THE LAST THREE
YEARS

(Rs. In Crores)

Sr. No.	Targets	Achieved 2005-06	Achieved 2006-07	Target 2007-08	Achieved 2007-08
(A)	COMMERCIAL / FINANCIAL				
	-SANCTIONS	167.72	170.30	175.00	168.45
	-DISBURSEMENT	115.54	122.60	120.00	97.27
	-RECOVERY	91.80	116.72	120.00	122.83
	-Net NPA percentage	25%	15.36%	10%	Nil