

Memorandum of Understanding Year 2009-10

Government of M. P., Finance Department, Bhopal

And

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, e. g., BHEL ancillary units at Govindpura, Bhopal, Auto Ancillary units at Pithampur, Soya Extraction plants in the State, Cotton Ginning Unit in Nimar Region, Pharmaceutical units at Indore, Pesticide units at Vidisha, Roofing Tile units at Balaghat, Vehicle factory/Ordinance factory ancillary units at Adhartal, Jabalpur, 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.

Lead Auditor on 22.01.2009 carried out 1st Surveillance quality management system audit and the certificate has been revalidated for one year.

The Corporation's endeavour shall be to continue providing quality services to its borrowers and retaining ISO certification in the years to come.

(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.

The Corporation has diversified into the sunrise area of infrastructure development of State by providing financial support to the borrowers who have valid contract for development of the Estate, against the Bank Guarantee.

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.

4. Roles towards Quality Optimisation:

To ensure that quality is given prime importance in all activities of the Corporation since quality is universally recognised as a major competitive factor. All products and processes of the Corporation shall reflect this concern.

(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.
- v. To work towards eco-environment friendly manner keeping focus on achieving another ISO Certification in this field in the years to come.

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 TOKIO General Insurance Company, etc.

PART- II
TARGETS

(A) COMMERCIAL / FINANCIAL

		Rs. In Lakh			Performance Weightage 65%
		2008-09		2009-10 Target	2009-10
		Target	Achieved		
1	Sanctions	15000	19132.60	20000.00	(5)
2	Disbursal of Loans +	12000	12703.86	14000.00	(20)
3	Recovery of Loan #	10800	11798.55	12500++	(20)
	-Principal	7000	7459.87	8000	
	-Interest	3800	4338.68	4500	
4	NPA	Less than 1% of total portfolio	Less than 1% of total portfolio **	Less than 1% of the Portfolio (less than Rs.385 Lacs)	(2.5)
5	Operating Profit	135	40**	75	(2.5)
6	Repayment of Loan Guaranteed by Govt	1375 (Actual due)	5456.35 *	1812	(5)
7	Payment of Intt. on loan guaranteed by Govt.	525 (Actual due)	604.04	575 (Actual due)	(5)
8.	Payment of Guarantee fee to GoMP @ 1%	20	-	20	(5)

+ 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. Average percentage of disbursement to sanction is 70. Out of 337 cases sanctioned during 2008-09, first disbursement has been made in 285 cases during 2008-09 itself. Similarly, out of 306 cases sanctioned during 2007-08, 275 cases availed first disbursement in the same year.

++ It represents actual demand assuming no new NPA.

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

* The amount is higher than the targeted figure as the premature payment (high cost) including due amount Rs.1375 Lacs have been paid to HUDCO from the amount received from Govt. of M.P. towards restructuring of the Corporation.

** Reduced mainly due to Rs.180.50 lacs contributed to gratuity fund

(B) DEVELOPMENTAL /PROMOTIONAL

		2008-09				2009-10 Target		Performance Weightage 12 %
		Target		Achieved		Nos	Lakh	09-10
		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		3		3		(1)
2	To provide financial support for establishment of small commercial set ups and service sector units in backward areas of the state.	75	700	62	728	75	750	(2)
3	Capacity building programme for existing SMEs for efficient financial management.	5	2	4	-	10		(1)
4	To Improve and Upgrade Products / launch new Schemes etc.	2	-	3	-	5		(1)
5	Documentation of Successful Projects and placement on website.	3	-	3	-	5		(2)
6	Identification of new potential business	1	-	1	-	2		(1)
7	Improvement in Internal Resources of PSU to increase capacity to garner outside funds	-	-	-	-			(2)
8	Meeting social responsibility by providing training to Management Students in project financing.					50		(2)

(C) ADMINISTRATIVE

		Details of Quantifiable Targets			Performance Weightage 16 %
		2008-09		2009-10 Target	2009-10
		Target	Achieved		
1	Computerization of Activities e.g. purchase of computers, software, training etc.	Additional /replacement of PCs and associated hardware 15 sets to be procured.	10 PCs, High Speed Line Matrix Printers and other Peripherals procured.	Need based replacement of Old PCs and Peripherals.	-
2	Automation / e-Governance through contacting people	Updation of latest developments.	e- Governance complete Project Plan RFP under process.	Work initiation on e-governance Project by SIDBI.	-
3	Training / Capacity Building of employees in account software etc.	35 (Only 35 employees left for training).	88 Employees attended various trainings on finance related topics.	Training program for 50 no. subordinate staff to be organized.	(1)
4	Customer Satisfaction Measures from 10% randomly selected borrowers	To be taken from 10% rand-omly selected borrowers and analysis will be done.	Obtained and is satisfactory.	To be taken from 10% randomly selected borrowers and analysis will be done.	(4)
5	Finalization of Accounts 1. Provisional Accounts 2. Completion of Statutory Audit 3. Laying the Audited Accounts in Vidhan Sabha	2007-08 2007-08 2007-08	-Accounts have been finalized. -Completed. -Placed on 12. 1. 2009.	-2008-09 by July / Aug. '09, -2008-09 -In Winter session	(2) (2) (2)
6	Ratio of Establishment Expenditure vis a vis Total Expenditure (Total Expenditure will exclude purchase of Goods/Services for resale)	Less than 17%	20 % appx.	Less than 20 %	(1)
7	Ratio of Establishment Expenditure vis a vis Turnover (Disbursement)	Less than 10%	6.6 %	Less than 7 %	(1)
8	Settlement of Government guarantees	-	-	-	-
9	DPCs	1	No DPC held.	1 DPC is Due.	(1)
10	ACR completion by	2007-08	All ACRs up to 07-08 completed.	ACRs of 2008-09	-
11	Departmental enquiries	Only one pending shall be completed.	Only one DE pending.	Pending one D. E.	-
12	Quarterly review of MOU by MD and preparation of minutes				(2)

(D) CORPORATE GOVERNANCE

		Details of Quantifiable Targets			Performance Weightage 7 %
		08-09 Target	08-09 Achieved	09-10 Target	09-10
1	No. of Board Meetings in the year (No.)	06	06	06	(1)
2	Annual General Meeting (by date)	31.12.2008	July 2008	31.12.2009	(1)
3	Filing of Annual Return (In case of Companies)	N.A.	N. A.	N. A.	-
4	Filing of Yearly Annual Income Tax Return	Sept. 2008	Sept. 2008	Sept. 2009	-
5	Conduct of Audit Committee meetings (if applicable)	Internal Audit Cell is already functioning	Internal Audit Cell is already functioning	Internal Audit Cell is already functioning	-
6	Filing of Yearly Provident Fund Return	Not Applicable	Not Applicable	Not Applicable	-
7	Filing of Yearly Professional Tax Return	In time	In time	Before 31.07.2009	(1)
8	Filing of half yearly Service Tax Return	Oct., 2008	Oct., 2008	Oct., 2009	
9	Filing of Quarterly VAT Return	N.A.	N.A.	N.A.	-
10	Filing of Statutory Return with ROC	N.A.	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	i. MOU is available on Website. ii. Website is being updated in time iii. Relevant portions are in Hindi	i. MOU of Website shall be bi-monthly updated and date of updation shall be mentioned.	(1)
12	Formulation of Citizen Charters & its monitoring	Updated charter shall be prepared	Prepared and placed.		-
13	Guaranteeing Right to Information through Enactment and providing access to the PSU Records	All applications received upto 28.2.09 will be disposed in stipulated time.	Disposed off 25 applications out of 26. All attended in time.	All applications received upto 28.2.2010 will be disposed in stipulated time.	(2)
14	Ratios 1. Return on Networth % 2. Debt Equity Ratio 3. Earning per share	1.34 1:0.82 Rs.0.41	1.49 1:0.76 Rs.0.15	1.50 1:0.77 Rs.0.20	(1)

PART – III**EXPECTATIONS FROM GOVERNMENT**

1. Compliance of MOU signed between SIDBI, MPFC and Govt. of Madhya Pradesh in letter and spirit.
2. The State Government to continue providing Share Capital to MPFC, through its budgetary support atleast Rs.5.00 Crores.
3. To provide Government Guarantee timely on request of the Corporation from time to time for raising funds from sources other than SIDBI, like HUDCO, SBI, Private Placement of Bonds, NABARD, Apex Bank etc. considering that the Corporation has been regular in making the payments towards its Government Guaranteed liabilities.

Managing Director
Madhya Pradesh Financial Corporation

Secretary / Principal Secretary
Finance Department

Date _____

Date _____

PART –IV**PERFORMANCE OF MADHYA PRADESH FINANCIAL COPROATION
IN THE LAST THREE YEARS****(Rs. In Lakhs)**

Sr. No.	Targets	Achieved 2006-07	Achieved 2007-08	Target 2008-09	Achieved 2008-09
(A)	COMMERCIAL / FINANCIAL SANCTIONS	17,030	16,845	15,000	19,132.60
1	DISBURSEMENT	12,260	9,727	12,000	12,703.86
2	RECOVERY	11,672	12,283	10,800	11,798.55
3	Net NPA percentage	15.36%	Nil	Less than 1% of total portfolio	Less than 2% of total port folio
