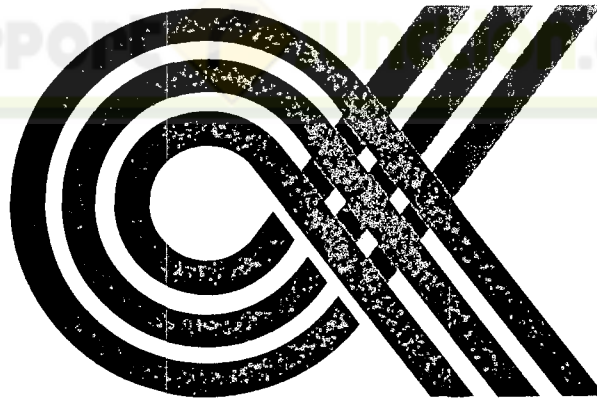


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12th ANNUAL REPORT

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Alp Pic

Finance Ltd.

R e a c h i n g O u t

12th Annual General Meeting

Wednesday, 24th December, 1997, 11.00 a.m.

Amar Gian Grover Auditorium, Mahalaxmi, Mumbai

Shareholders are requested to bring their copies of the Annual Report to the Meeting

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Shifting of the Registered Office

Effective 27.9.1997, the Registered Office of the Company has been shifted from rented premises at Gunbow Street, Fort, Mumbai, to owned premises at **6th Floor, New Excelsior Building, Wallace Street, Fort, Mumbai 400 001 (Tel : 207 3045)**

Taking over of Share Transfer Work

Effective 15.11.1997, the Company has taken over the Share Transfer work from Epic Financial Consultancy Services Pvt. Ltd. Hence, all transfer applications and other correspondence may be forwarded to the Company's Share Department at **58, MIDC, Road No. 17, Marol Industrial Area, Andheri (East), Mumbai 400 093 (Tel : 823 5389/216)**



Alpic Finance Limited

Board of Directors

Ravi Kumar S., *Chairman and Managing Director*
 Poonam Kumar, *Vice Chairperson & Joint Managing Director*
 R N Bansal
 Ghulam Ghouse
 Ameet Hariani
 S S Lad
 S R Mohandas
 S E H Rizvi
 R A Shroff
 P H Vaishnav

Company Secretary

Rajiv Daru

Solicitors

Ramesh Shroff & Co.
 Hariani & Co.

Auditors

V Sankar Aiyar & Co.

Bankers

Union Bank of India
 ANZ Grindlays Bank plc.
 Bank of Baroda
 Bank of Madura Ltd.
 Dena Bank
 Development Credit Bank Ltd.
 Oriental Bank of Commerce
 State Bank of Hyderabad
 State Bank of Indore
 The Catholic Syrian Bank Ltd.
 The Cosmos Co-op. Bank Ltd.
 The Dhanalakshmi Bank Ltd.
 The Federal Bank Ltd.
 The Hongkong & Shanghai Bkg. Corpn. Ltd.
 The United Western Bank Ltd.
 Vijaya Bank

Registered Office

6th Floor, New Excelsior Bldg., Wallace Street, Fort, Mumbai 400 001.

Regional Offices

Bangalore	:	7/8, Raheja Plaza, 17, Commisariat Road, Ashok Nagar, Bangalore 560 025.
Baroda	:	701/702, A-Wing, Alkapuri Arcade, R.C. Dutt Road, Alkapuri, Baroda 390 005.
Bhubaneswar	:	1st Floor, 624, Shahid Nagar, Janapath, Bhubaneswar 751 007.
Calcutta	:	4G, Crescent Towers, 229, A.J.C. Bose Road, Calcutta 700 020.
Chennai	:	4th Floor, Park View, 85, G.N. Chetty Road, T. Nagar, Chennai 600 017.
Hyderabad	:	308, Navketan, 62 SD Road, Secunderabad 500 003.
Lucknow	:	1st Floor, SAS House, 6-B, Sapru Marg, Lucknow 226 001.
Nasik	:	Canada Complex, 1st Floor, HPT College Road, Nasik 422 005.
New Delhi	:	110, 1st Floor, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi 110 001.
Pune	:	Mahale Plot, 392A, Gokhale Nagar Road, Pune 411 016.

and over 100 Offices all over India

Notice

NOTICE is hereby given that the 12th Annual General Meeting of ALPIC FINANCE LTD., will be held on Wednesday, the 24th December, 1997, at 11.00 a.m. at the Amar Gian Grover Auditorium, Lala Lajpatrai Marg, Mahalaxmi, Haji Ali, Mumbai 400 034, to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th June 1997 and the Balance Sheet as at that date along with the Directors' Report and Auditors' Report thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Mr. S. S. Lad, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ramesh Shroff, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a Director in place of Mr. S. R. Mohandas, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

7. To consider and if thought fit to pass, with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT, subject to the provisions of Sections 269, 314 and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as 'the Act'), and in accordance with Schedule XIII under the Act in force at present, the appointment of Mrs. Poonam Kumar as Joint Managing Director for a term of 5 years commencing from 1st May, 1997, on the following terms and conditions, be and is hereby ratified, confirmed and approved :

SALARY

: Rs. 60,000/- (Rupees Sixty Thousand only) per month with such increments as may be fixed by the Board from time to time, subject to ceiling on overall managerial remuneration, as provided under Sections 198 and 309 of the Act.

PERQUISITES

- | | |
|--------------------------------|--|
| a) Housing | : House rent allowance of 60% of the Salary. |
| b) Medical Reimbursement | : Reimbursement of Medical Expenses incurred for Domiciliary Treatment for self and family up to a maximum of one month's Salary in a Financial Year or three months' Salary over a period of three years. Hospitalization Charges for major sickness for self and family to be reimbursed in full in addition to Domiciliary Treatment. |
| c) Leave Travel Concession | : For self and family once in a year incurred, as per the Rules of the Company. |
| d) Club Fees | : Fees payable to clubs, subject to a maximum of two clubs. However, admission fees not payable. |
| e) Personal Accident Insurance | : Premium payable by the Company. |

The appointee shall also be eligible to the following perquisites and benefits, which shall not be included in the computation of ceiling on remuneration specified in Schedule XIII of the Act.

- i) Company's contribution to Provident Fund and Superannuation Fund, if and when introduced in the Company, to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.



- ii) Gratuity payable at half a month's salary for each completed year's service.
- iii) Use of the Company's car with chauffeur for official use and Company's telephone at residence. Personal long distance calls on the telephone will be billed by the Company to the appointee.
- iv) Earned Leave on full pay and perquisites not exceeding one month's leave for every eleven months' service. Leave not availed of due to the exigencies of the Company's business can be accumulated and/or encashed as per the Rules of the Company or at the discretion of the Managing Director.

COMMISSION : In addition to the Salary and Perquisites, the appointee be paid such amount by way of Commission, as may be fixed by the Board, after the profits of the Company are ascertained in each year, so however that the overall remuneration for the Managerial Personnel does not exceed the limits prescribed under Sections 198 and 309 of the Act and Schedule XIII, as may be applicable from time to time.

SITTING FEES : The appointee shall also be entitled to receive fees for attendance at meetings of the Board or Committees thereof, within the overall limit on the remuneration in terms of the Act.

MINIMUM REMUNERATION: In the event of loss or inadequacy of profits in any Financial Year, the appointee shall be paid remuneration and be granted the perquisites, as per the provisions contained in Schedule XIII, as amended on 1st February, 1994 or any statutory modification or re-enactment thereof from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorized to revise from time to time during the term of the present appointment of Mrs. Poonam Kumar as Joint Managing Director, the remuneration payable to her as Joint Managing Director, subject to the ceiling limits laid down or as may be laid down in Sections 269, 309, 198, Schedule XIII and other applicable provisions, if any, of the Act, or any modification or re-enactment thereof, without any further approval of the Members in General Meeting.

- 8. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Mr. P. H. Vaishnav, who was appointed a Director of the Company under Section 262 of the Companies Act, 1956 (the Act), in the casual vacancy caused by the resignation of Mr. N. R. Moorthy and who vacates his office as such at this Annual General Meeting and in respect of whom the Company has received a notice in writing from some Members, proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Act, alongwith a deposit of Rs.500/- and who is eligible for appointment as a Director, be and is hereby appointed as a Director of the Company.

NOTE

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

By order of the Board of Directors
Mumbai For **ALPIC FINANCE LTD.**
19th November, 1997

Registered Office :
6th Floor, New Excelsior Bldg.
Wallace Street, Fort,
Mumbai 400 001.

Rajiv Daru
Company Secretary

NOTES

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos.7 and 8 set out above, is annexed hereto.
- (b) Members are requested to notify immediately, change in their address, if any, to the Share Department of the Company at its office at 58, MIDC, Road No. 17, Marol Industrial Area, Andheri (East), Mumbai 400 093, quoting their Folio Number, to ensure prompt receipt of Dividend Warrants, etc.
- (c) The Share Transfer Book and the Register of Members of the Company will remain closed from Wednesday, 17th December 1997 to Wednesday, 24th December 1997 (both days inclusive).
- (d) Dividend for the year ended 30th June, 1997, as recommended by the Directors, upon being declared at the Meeting, will be paid to those Members whose names appear on the Company's Register of Members at the close of working hours of the Company on 24th December, 1997.
- (e) The Company has already transferred unclaimed Dividend declared upto the Financial Year ended 30.6.1993 to the General Reserve Account of the Central Government, as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed or collected their Dividend upto the aforesaid Financial Year, may claim their Dividend from the Registrar of Companies, Everest, New Marine Lines, Mumbai 400 002.

The unclaimed Dividend for the Financial Year ended 30.06.1994 will be transferred by the Company to the Central Government by 23.01.1998. Members who have not encashed their Dividend Warrants for the aforesaid Financial Year, are requested to approach the Company for doing the needful.

EXPLANATORY STATEMENT

In conformity with Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all the material facts in respect of Item Nos.7 and 8 of the accompanying Notice dated 19th November, 1997.

Item No. 7

As approved by the Shareholders of the Company at the 10th annual General Meeting held on 30th December, 1995, Mrs Poonam Kumar was appointed as Whole-time Director of the Company for a period of 5 years from 1st April 1995. Having regard to the role played and the responsibilities shouldered by her since her appointment as such, the Board of Directors of the Company at its Meeting held on 29th April 1997, with mutual consent, resolved to determine the existing tenure of the appointment of Mrs Poonam Kumar, as the Whole-time Director of the Company, from the close of the working hours on 30th April 1997 and, subject to the approval of the Shareholders of the Company, appointed her as the Joint Managing Director of the Company for a period of 5 years from 1st May 1997, on the same terms and conditions as applicable to her appointment as Whole-time Director, without break in service.

Mrs Poonam Kumar, besides having a wide and varied academic and administrative experience spanning over two decades with the University of Bombay and the Indira Gandhi Open University, New Delhi, has been associated with the Company since its inception in various capacities and as Director since 30th April, 1993 and as Whole-time Director since 1st April 1995.

Besides overseeing the overall operations of the Company under the supervision of the Board of Directors and the Managing Director of the Company, she has been instrumental in institutionalising the Company's operations and for the establishment of the Investment Banking, International Services, Human Resources, Research, Communication and Services Divisions in the Company, which she is independently handling and is directly responsible for. Further, the geographical reach and the retail penetration, which the Company enjoys today, are largely attributed to her vision.



The Directors recommend the resolution for adoption. Mrs. Poonam Kumar is concerned or interested in the Resolution to the extent of the remuneration payable to her. No other Director may be deemed concerned or interested in the Resolution, except Mr Ravi Kumar S., being a relative.

The extracts of the remuneration package of Mrs. Poonam Kumar, Joint Managing Director, as required under Section 302 of the Companies Act, 1956, have already been circulated to the Members, vide letter dated 5th May 1997. A copy of the letter dated 29th April 1997 addressed to Mrs Poonam Kumar, communicating her appointment and remuneration package, is available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the Meeting.

Item No. 8

Pursuant to Article 128 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956, Mr P.H. Vaishnav was appointed as a Director on 20th September 1996, in the casual vacancy caused by the resignation of Mr N.R. Moorthy. As such, he holds office only upto this Annual General Meeting of the Company. The Company has received

a notice in writing alongwith a deposit of Rs. 500/- from some of the Members, signifying their intention to propose the candidature of Mr Vaishnav for the office of Director.

Mr P. H. Vaishnav is a retired civil servant whose long and illustrious career includes Chairmanship of the Public Enterprises Selection Board, Government of India and Secretary to the Government of India, Cabinet Secretariat, before retiring as the Chief Secretary, Government of Punjab.

The Directors recommend the resolution for adoption. Mr Vaishnav may be considered interested to the extent it relates to his appointment. No other Director is concerned or interested in the resolution.

By Order of the Board of Directors
For **ALPIC FINANCE LTD.**

Mumbai
19th November 1997

Rajiv Daru
Company Secretary

Registered Office:
6th Floor, New Excelsior Bldg
Wallace Street, Fort
Mumbai 400 001

Directors' Report

The Members

Alpic Finance Ltd.

Your Directors take pleasure in presenting the 12th Annual Report, together with the Audited Accounts, for the Financial Year ended 30th June, 1997.

Financial Results

The financial results of the Company for the year under review are summarised below:

	(Rupees in lacs)
	Year Ended 30.06.1997
Net Profit	2484.35
Add : Amount B/f from the previous year	3954.50
Less : Debenture Redemption Reserve	500.00
Special Reserve under the RBI Act	503.00
Proposed Dividend 35%	
(Previous Year 35 %)	414.20
Tax on Dividend	41.42
Profit available for appropriation	<u>4980.23</u>
Appropriation	
Transfer to General Reserve	1500.00
Balance carried forward for the year	<u>3480.23</u>

Dividend

Your Directors are pleased to recommend a Dividend of 35% (net of tax) for the year ended 30th June, 1997 (previous year 35%), absorbing a sum of Rs. 455.62 lacs (previous year Rs.414 lacs), including dividend tax. Your Directors are pleased to observe that as per the Finance Act, 1997, the Dividend shall not be taxable in the hands of the recipient.

Appropriations

After making the statutory provisioning and that for the proposed Dividend and tax thereon, out of the profit available for appropriation, your Directors propose to transfer a sum of Rs. 1500 lacs to the General Reserve and carry forward the balance of Rs. 3480.23 lacs to the Balance Sheet.

Operations

The year under review was perhaps amongst the most difficult ones for the financial services sector as a whole. During the year, the economy was put under severe stress. The political uncertainty also had its negative effect on the economy. The capital markets continued to be in a depressed state. As a fall-out of these adverse conditions, the economic activity in the country reduced. The first half of 1996-97 saw a slight easing of tight money conditions, whereas the next half saw an altogether different phenomenon of excess liquidity in the system and retardation of credit off-take.

In spite of these adverse circumstances, your Directors are pleased to report that your Company has maintained a distinct identity and has withstood the pressures through a combination of effective human resource exercises and prudent risk management of assets. The latent strengths of your Company came to the fore with all Regions contributing to the positive health of the Company.

Your Company made total disbursements exceeding Rs. 410 crores during the year. There was a steady increase in income for lease and hire purchase of 27.15% and your Company's asset base increased to Rs. 993 crores, marking a 55 % increase over the previous year. Your Company has complied with the Prudential Norms for income recognition and provisioning for sub-standard assets. The capital adequacy ratio of your Company at the year end was 20%, well above the minimum of 8% prescribed by the Reserve Bank of India. Your Company has provided a sum of Rs.15.54 crores as provision for non performing assets and diminution in the value of its investments. Notwithstanding the aforesaid provisioning, the Company is actively pursuing recoveries and has instituted legal proceedings against some delinquent clients.

During the year under review, the Reserve Bank of India announced major relaxations with regard to acceptance of public deposits. In line with which, the interest rates and the quantum of deposits to be accepted by a registered NBFC, which met the Prudential Norms, Credit Rating requirements and Certification by the Reserve Bank of India, were deregulated. Your Company obtained the requisite



Certificate from the Reserve Bank of India and revised the interest rates to align them with the market. There was an overwhelming support from the depositors of your Company's public deposit schemes. Your Company mobilised fresh deposits aggregating Rs. 262 crores. After taking into account the renewals of deposits made during the year of Rs.61 crores, the gross mobilisation of deposits aggregated Rs.324 crores. Public deposits outstanding at the year end exceeded Rs.330 crores and the number of deposits exceeded 3 lacs.

Following some unfortunate developments in the NBFC sector, "encashment at par" facility of interest warrants was discontinued by the Banks. The Company's depositors were thus put through avoidable inconvenience.

Your Directors wish to place on record the appreciation for the patience and the support that all deposit holders showed during these trying times.

Whilst the Company has no unpaid deposits or interest outstanding thereon, 2493 deposits totalling Rs. 320 lacs had matured and were due to be claimed or renewed at the year end. Despite subsequent follow up for repayment/renewal, 1906 deposits totalling Rs. 240 lacs remain unclaimed till date. The Company is continuing its follow up to repay/renew them. Your Company has fully complied with all the RBI Directions on maintenance of liquid assets in respect of the deposits.

HRD, Systems & Research

With the pressures of global competition, we have realised that we have to measure upto international standards on various fronts - quality of product, work culture and the entire attitude towards work ethos. We know that as a nation and particularly as an organisation, our biggest asset is human resource. The Company continues to attach paramount importance to human resource management and development. The ongoing training programmes and the opportunities to grow with the Company have kept the employee motivation high resulting in low attrition rate. To meet its long term commitment on building a strong institution, the Company has strong support Divisions. It has laid a great emphasis on research and systems development. The Company's research group has continued to excel and earn accolades in

the financial circles for its various diverse and in-detail research analysis vide company reports, industry reports and the 'Alpic Analysis', which have contributed in their own way in evaluation processes of many a credit risk proposals.

Other Developments

During the year under review, your Company was amongst the first two to be granted license by the Reserve Bank of India to set up a local area bank in the State of Maharashtra. This has reinforced your Company's commitment to micro-lending in the semi-urban area. The Company is steadily progressing the proposal. Further, in keeping with your Company's vision of becoming a 'universal bank', it has signed a Memorandum of Understanding with Allianz AG of Germany, amongst the top 3 insurance companies globally, and MMI Insurance of Australia, a leading insurance company of Australia in the health sector, to set up general, health and life insurance joint venture insurance companies in India upon the opening up of the insurance sector.

Future

The non-banking financial services industry is undergoing a structural reform. This would ultimately ensure emergence of the strong and the sound. The market place is likely to continue to be competitive with pressures on credit risk, liquidity and spreads. Service levels and competence would have major roles to play in the growth of each player. Companies like yours, which are inherently independent, conservative, transparent and which are wedded to strict corporate governance, would ride the wave to emerge even stronger institutions. They will then have a much greater role to perform in the economic development, alongside the existing banking and financial institutions, through their superior financial expertise and wider network.

Your Company believes that in the emerging competitive market scenario, there is a trend towards narrowing of spreads. Your Company is, however, hopeful of meeting the competition by adopting sustainable strategies. In the present scenario of easy liquidity and deteriorating quality of corporate assets, your Company does not anticipate much growth in this sector.

The health services are the focus area of the Government's policy framework. The overall growth of GDP and industries have propelled the standard of living of Indians. Your Company sees a very bright prospect in servicing this growth, in line with the Company's policy of focussing on servicing doctors, para-medics and hospital segments of the health sector through its pioneering product - Medipic - financial services to the medical profession.

Your Company has likewise identified a niche in the era of globalisation. The Company has launched an International Services Division, a single window project management outfit which caters to the growing needs of a post-liberalised India. The Division's core strength lies in its ability to offer complete services from entry point requirements, to feasibility studies, to capital structuring, to technical sourcing, to obtaining approvals, which facilitate international collaborations and joint ventures. Backed by strong research capability, the Division is already attending to a number of international proposals referred by wide and varied industries.

Your Company strongly believes that in the emerging market scenario, besides the existing fund-based activities, non-fund based activities would form an important avenue for business opportunities.

Regulatory Developments

The Reserve Bank of India (Amendment) Act, 1997, was promulgated broadly to regulate and monitor the working of NBFCs. The Act inter alia prescribes entry point norms, registration, maintenance of liquid assets and creation of special reserve fund. Your Directors welcome these regulations which will go a long way in ensuring healthy and orderly growth of the NBFCs sector besides offering the necessary security to large number of individual depositors. Your Directors earnestly appeal to the RBI to consider setting up a settlement mechanism for Developmental Financial Institutions and NBFCs. It would be in context to mention here that for short term settlement, the banking system has a vibrant call money market which acts as a settlement mechanism. Similarly, the Stock Exchanges, which are in the long term end of the financial services, weekly or fortnightly settlements are prevalent to take care of short term settlement mechanism.

Subsidiaries

The Company's subsidiaries, Shweta Electronics Pvt. Ltd. and Gulbarga Trading and Investment Pvt. Ltd., are yet to start active operations. As required under Section 212 of the Companies Act, 1956, the Audited Statements of Accounts of the subsidiaries, along with the Reports thereon of the Board of Directors and Auditors' are annexed.

Statutory Disclosures

- a) The information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed.
- b) The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, require the disclosure of particulars regarding Conservation of Energy in Form A and Technology Absorption in Form B, prescribed by the Rules. Your Company not being a manufacturing company, is advised that Forms A and B are not applicable.
- c) The Company had no foreign exchange outgo except in respect of travel and training, aggregating Rs. 39.16 lacs and asset purchased of Rs. 1248 lacs. There is no foreign exchange inflow.
- d) The comparison of the Projections made for the Financial Year 1996-97 in the Company's Letter of Offer dated 22nd July, 1994, with the actual performance, as per Clause 43 of the Listing Agreement with the Stock Exchanges, is as under:

	(Rs. in Lacs)	
	Actuals	Projections
Total Income	15665.0	14645.00
Profit after Tax	2484.4	6183.00
Equity Share Capital	1183.6	1200.00
Reserves	18046.0	22119.00
Cash EPS (Rs.)	43.8	83.28
Earnings per Share (Rs.)	21.0	51.53
Book Value (Rs.)	162.5	194.33

The funds raised through the said Letter of Offer have been utilised in accordance with the objects stated therein. The variations are due to the changed market conditions.