

ELEVENTH
ANNUAL
REPORT
1998 - 99

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Apple

Credit Corporation Limited

APPLE CREDIT CORPORATION LIMITED

REGISTERED OFFICE

Gokul Arcade, I Floor
No.2, Sardar Patel Road,
Adyar, Chennai - 600 020.

CORPORATE OFFICE

"Temple Tower"
1st Floor,
476 Anna Salai,
Nandanam
Chennai 600 035.
Tel:4331051-54

BOARD OF DIRECTORS

Mr T N Padmanabhan
Chairman

Mr. G.S. Samuel
Managing Director

Mr B Suresh
Dy. Managing Director

Mr J R K Sarma
Executive Director

Branches

Adyar, Anna Nagar, Ahmedabad, Bangalore, Baroda, Calcutta,
Calicut, Coimbatore, Hubli, Kochi, Kurnool, Madgaon, Madurai,
Mangalore, Mumbai, Nandanam (Chennai), Nagpur, Nellore,
Pune, Panjim, Pondy, Salem, Secunderabad, Tirunelveli,
Thrissur, Vijayawada, Trichy, Vizag.

Directors

Mr Atul K Nishar
Mr P Vaidyanathan
Dr Nitish Sengupta

Bankers

State Bank of India, State Bank of Travancore,
State Bank of Hyderabad, State Bank of Mysore,
State Bank of Patiala, Allahabad Bank,
Andhra Bank, Bank of Maharashtra,
Bombay Mercantile Co-Op. Bank, The Catholic Syrian Bank,
The Dhanalakshmi Bank, Dena Bank, The Federal Bank,
Indian Bank, Indian Overseas Bank, The Karur Vysya Bank,
The Vysya Bank, Punjab & Sind Bank Ltd.

Company Secretary

Mr J R K Sarma

Auditors

M/s Mahendra Kumbhat & Associates
Chartered Accountants

Institutions

Industrial Credit and Investment Corporation of India,
Small Industries Development Bank of India,
Industrial Finance Corporation of India,
Unit Trust of India,
Industrial Development Bank of India,
Industrial Investment Bank of India.

Legal Advisors

M/s Dave & Girish & Co
Advocates

Registrar & Transfer Agents

INTEGRATED ENTERPRISES (INDIA) LTD.
No.46/3, VIJAYARAGHAVA ROAD
T. NAGAR
CHENNAI 600 017.

Members are requested to bring their copy of the Annual Report along with them for the Annual General Meeting, as copies of the Report will not be distributed at the meeting.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

0 1 6 2 7 5

State Code 1 8

Balance Sheet Date

3 0

0 6

9 9

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

0 0 0 0 0 0 0 0

Rights Issue

0 0 0 0 0 0 0 0

Bonus Issue

0 0 0 0 0 0 0 0

Private Placement

0 0 0 0 0 0 0 0

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

0 0 0 5 1 0 8 6 4 9

Total Assets

0 0 0 5 1 0 8 6 4 9

Sources of Funds

Paid up Capital

0 0 0 1 4 5 9 0 0

Reserves and Surplus

0 0 0 9 3 8 1 2 7

Secured Loans

0 0 0 3 3 8 4 2 4 3

Unsecured Loans

0 0 0 6 7 6 3 7 9

Application of Funds

Net Fixed Assets

0 0 0 8 8 5 8 7 1

Investments

0 0 0 1 5 2 1 7 9

Net Current Assets

0 0 0 4 0 6 3 9 5 9

Misc. Expenditure

0 0 0 6 6 4 0

Accumulated Losses

0 0 0 0 0 0 0 0

IV. Performance of the Company (Amount in Rs Thousands)

Turnover

0 0 0 1 2 4 5 4 8 3

Total Expenditure

0 0 0 1 1 1 3 1 2 7

Profit before Tax

0 0 0 1 3 2 3 5 6

Profit After Tax

0 0 0 1 1 2 6 0 6

Earnings per Share in Rs

0 8

Dividend

2 0 %

V. Product Description

F I N A N C I A L
S E R V I C E S

ITC Code : Not Applicable

DIRECTORS REPORT TO THE MEMBERS
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TO

THE MEMBERS OF APPLE CREDIT CORPORATION LIMITED

Your Directors have great pleasure in presenting the 11th Annual Report of your Company together with the Audited Accounts for the year ended 30th June, 1999.

FINANCIAL RESULTS

The financial highlights of the Company are indicated below:

	(Rs. in Lacs)	
	Accounting year ended	
	30.06.99	30.06.98
Profit before Depreciation & Taxation	3141.29	3124.99
Less : Depreciation	1733.29	1507.82
Profit before Taxation	1408.00	1617.17
Less : Provision for Taxation (inclusive of previous years write off, Rs.5.66 lacs)	197.50	141.87
Less : Provision for Non-performing Assets	84.44	361.15
Net Profit after Taxation	1126.06	114.15
Add: Balance b/f from previous year	18.84	18.73
Balance available for Appropriation	1144.90	1132.88
Appropriations :		
Transfer to General Reserve	120.00	125.00
Transfer to Statutory Reserve	226.00	225.00
Proposed Dividend	283.63	270.04
Dividend Tax	31.20	27.00
Debenture Redemption Reserve	407.00	430.00
Capital Redemption Reserve	37.00	37.00
Balance Carried Forward	40.07	18.84

BUSINESS

The Indian Economy and business scenario was not completely isolated from the uncertainty and the turbulence of international economies, some of them close to our country. The slowdown in the domestic economy which we had witnessed in the last year persisted and accentuated by the above inter-alia affected several key sectors. Core industries were no exception to the general sluggishness in industrial performance. Aided by robust growth in the Agricultural and allied sectors, the Indian Economy steered through to chalk up a 6% GDP growth, doing better than the previous year.

The financial sector environment mirrored the economic scenario, with sluggish credit expansion, despite a comfortable liquidity in the system supported by buoyant deposit growth. RBI as part of its ongoing reforms in the financial services sector ushered in a stricter regime of capital adequacy and income recognition norms – broadly in the lines of the Narasimham Committee Report II. The income recognition and Asset classification norms for sub – standard assets have also been tightened.

While not much of investment in capacity creation was evident in the industrial sector, except infrastructure related activities, even production and sale of medium and heavy commercial vehicles also declined over and above last year's drop. Sale of cars and multi utility vehicles also declined. Activity in the capital market

remained dull with just the golden triangle of Software, Pharma and Fast Moving Consumer Goods (FMCG) bringing some cheer.

The year 1998-99 continued to witness tight money market conditions and slowdown in economic activity. Non-Banking Finance Companies (NBFC) industry has received some respite through meaningful measures brought in by RBI and the Government. Many players who have earlier relied on the heavy commercial vehicle market continue to be affected due to sharp decline in the production and sales of these vehicles.

Viewed against this backdrop, despite these constraints, your Company has consolidated its performance during the year. The growth of the small car segment with more players joining the field gave added boost to our line of business. Income for the year stood at Rs. 12454.83 lacs (previous year Rs. 12232.24 lacs). In line with the RBI's recent guidelines an amount of Rs. 84.44 lacs has been provided for Non-Performing Assets. However your Company is confident of recovering all the dues and making all efforts in this direction. The Gross Profit, before such provision and tax is at Rs.14.08 crores which is quite reasonable.

DIVIDEND

Your Company has in letter and spirit continues to follow all the guidelines of RBI in respect of income recognition and provisioning, impacting in the process the bottomline, which otherwise would have, as always, reflected the good performance. As outlined earlier, the improved market scenario this year and the marginal upswing in the economy coupled with lower inflation and interest rates had its positive impact on the growth of NBFCs. However, your Company's performance has been good during the financial year, as is evident from the Balance Sheet and Profit and Loss Account tabled before you. Keeping the general industry scenario in view and with the coming year not expected to show marked improvement, the need of the hour being to augment internal long term resources, to increase the Company's fundamental resilience and strength and thereby ensuring financial health of the Company, your Directors have decided in line with last year to recommend a Dividend of 20% for the year ended 30th June 1999, absorbing Rs.283.63 Lacs inclusive of Dividend on Preference Shares @ 12.5 % (previous year Rs.270.04 Lacs).

CURRENT YEAR PROSPECTS

During the current year, our thrust will continue to be in the Car finance segment as in the previous year and we are confident of maintaining the progress in the remaining months as well. The Directors wish to assure the shareholders, lenders and the investors that all efforts needed will be made at every level of functioning, be it executive, senior management or directors themselves, to ensure quality in acceptance of business, vigil on the recovery front and service levels leading to a healthy bottomline during the year.

RESOURCES

- a) **Deposits :** You will be glad to know that your Company conforms to RBI guidelines with regard to Fixed Deposit and has an outstanding figure of Rs. 5663.69 lacs. The Company has taken special steps to expedite recovery and repay the depositors. Prompt repayments of deposits helped the Company earn goodwill among its depositors and the faith and trust reposed by the depositors in our Company has

DIRECTORS' REPORT (CONTD.)

been more than amply rewarded. Your Company does not have any unpaid deposits other than 2203 unclaimed deposits aggregating Rs. 257.83 lacs out of which 838 deposits aggregating to Rs. 99.58 lacs have since been claimed, renewed and refunded. Despite continuous efforts by your Company to contact the remaining depositors, an amount of Rs. 158.25 lacs is unpaid which is a very small percentage of the outstanding balance. Your Company is taking necessary and active steps to contact/arrange for repayment / renewal of these deposits.

- b) **Bank/Institutional Finance :** During the year, the Company had successfully raised Rs. 155.63 crores from the Banking/ Institutional/retail sector by way of cash credit/FCNR(B) loan, redeemable Non-convertible Debentures etc. This again signifies the confidence reposed by them in your Company.

PRUDENTIAL NORMS

Your Company has followed the prudential norms prescribed by the Reserve Bank of India for income recognition, asset classification, investment accounting, provisioning for bad and doubtful debts, concentration of credit/investment, capital adequacy and credit rating requirements, in presenting the accounts for the year. The capital adequacy ratio computed as per norms is 19.36% (Tier I) well above the prescribed minimum of 12%. Your Company has also provided an additional Rs. 84.44 lacs as provision for the substandard assets as per RBI norms. Your Company has also transferred a sum of Rs 226 Lacs to the Statutory Reserve, in tune with the norms prescribed by RBI.

CREDIT RATING

During the year, your Company continued to enjoy the "High Safety" credit rating. MAA (-) (M Double A Minus) rating accorded by ICRA for the Fixed Deposit Programme indicates that the degree of safety regarding timely payment of interest and principal is high. In addition, the Company has secured MAA(-) rating from ICRA for Redeemable Non-convertible Debentures aggregating to Rs. 75 crores which it has successfully placed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Your Company has no activity relating to conservation of energy or technology absorption to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956. The Company does not have any foreign exchange earnings or outgo other than travel expenses.

DIRECTORS

Since the last Annual General Meeting, one new Director has been inducted into the Board. Shri J R K Sarma, was inducted into the Board as Additional Director with effect from 14th December 1998. In accordance with Article 147 of the Articles of Association of the Company, the above Director will hold office upto the date of the next Annual General Meeting and shall be eligible for election as Director at the ensuing Annual General Meeting.

Shri G M Dave resigned from the Board with effect from 27th February 1999. Your Directors place on record their appreciation of the valuable guidance given by Shri G M Dave during his tenure in office.

In terms of the provisions of Companies Act, 1956 and Articles 163, 164 and 165 of the Articles of Association of the Company, Shri G S Samuel is liable to retire by rotation at this Annual General Meeting and being eligible offers himself for reappointment.

AUDITORS' REPORT

The Auditors' Report is self-explanatory, when read together with notes forming part of accounts and therefore does not call for any further comments.

AUDITORS

Your Auditors, M/S Mahendra Kumbhat & Associates, Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting, and are eligible for reappointment. A certificate under Section 224 of the Companies Act, 1956 has been obtained from them.

PARTICULARS OF PERSONNEL

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given as annexure to the Directors' Report.

However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company, excluding the aforesaid information. Those shareholders who are interested in obtaining such particulars may write to the Company Secretary at the Company's Corporate Office.

Y2K READINESS

Your Company has drawn out a detailed plan for Y2K readiness. In 1998-99, your Company retained the service of an International Accounting firm to help our in-house dedicated team of system professionals to identify and initiate action in all aspects of this area. Accordingly, all applications covering Fixed Deposits, Hire Purchase, Leasing and Financial Accounting were subjected to a detailed Y2K test along side the Hardware at various offices across the country. While all the above applications were made Y2K compliant by June 99, we are in the process of upgrading our communications and the entire process will be completed by October 31, 1999. Certificates confirming Y2K compliance from vendors have been obtained for hardware, systems and operating software wherever applicable. The Managing Director and other senior executives of your Company, conducted periodical reviews, to ensure compliance in this regard, to review the progress.

ACKNOWLEDGEMENT

Your Directors wish to express their gratitude to the Shareholders, Depositors, Debentureholders, Bankers, Financial Institutions and the Customers for their continued support and patronage. They also wish to acknowledge the spirit of dedication, the untiring efforts and overwhelming support and co-operation extended by the staff members at all levels.

For and on behalf of the Board

Chennai
07.08.1999

T N Padmanabhan
Chairman

AUDITOR'S REPORT

To the Shareholders of Apple Credit Corporation Limited

We have audited the attached Balance Sheet of Apple Credit Corporation Limited as at 30th June 1999 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, enclosed in the annexure is the statement on matters specified in the said Order to the extent applicable thereon.
2. Further to our comments in the annexure referred to in paragraph (1) above:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) Proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books.
 - c) The balance sheet and profit and loss accounts dealt with by this Report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet and Profit and Loss Account complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view;
 - i) in the case of the Balance Sheet of the state of affairs of the Company as at 30th June 1999
 - and
 - ii) in the case of Profit and Loss Account of the Profit of the Company for the year ended on that date.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

Place : Chennai
Dated : August, 7 1999

T.G. RAMANATHAN
Partner

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 1 of our Report of even date)

1. In our opinion, based on the nature of business of the Company, Clauses (iii), (iv), (v), (vi), (xii), (xiv), (xvi) & (xx) of Paragraph 4 (A) of the Manufacturing and Other Companies (Auditor's Report) Order 1988 are not applicable.
2. The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets. All the Assets have been physically verified by the Management during the year. We are informed that no significant discrepancies have been noticed on such verification.
3. None of the Fixed Assets have been revalued during the year.
4. In our opinion and according to the information and explanations given to us the rate of interest and the other terms and conditions on which the company has taken loans from the companies, firms and other parties required to be listed in the register to be maintained under Section 301 of the Companies Act, 1956 are prima facie not prejudicial to the interest of the company. We are informed that there are no companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us the rate of interest and the other terms and conditions on which the company has given loans to the companies, firms and other parties required to be listed in the register to be maintained

under Section 301 of the Companies Act, 1956 are prima facie not prejudicial to the interest of the company. We are informed that there are no companies under the same management as defined under section 370 (1-B) of the Companies Act, 1956.

6. a) In respect of hire monies due under hire purchase transactions entered into by the company in the ordinary course of business, wherever installments are overdue, according to the information and explanations given to us, we are of the opinion that reasonable steps have been taken by the company for the recovery of the same.
- b) The parties including the employees to whom loans and advances in the nature of loans have been given are repaying the principal amounts as stipulated and are also regular in the payment of interest wherever applicable.
7. In our opinion and according to the information and explanations given to us, it appears that there are adequate internal control procedures commensurate to the size of the Company and the nature of its business for purchase of plant and machinery, equipment and other assets.
8. According to the information and explanations given to us, the company has entered into transactions for purchase and sale of services with parties required to be listed in the register to be maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50000/- or more in respect of each party at prices which are reasonable having regard to the prevailing market prices of such services or at prices at which similar services are availed from other parties.
9. The company has accepted fixed deposits from public and according to the information and explanations given to us, in our opinion, the Company has complied with the Directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder, wherever applicable.
10. Internal Audit is carried out by independent firms of Chartered Accountants. In our opinion, the scope of internal audit is commensurate with the size and nature of the Company's business.
11. During the year under review, the Company has regularly deposited Provident Fund, Employees State Insurance contribution and Superannuation Fund dues.
12. According to the information and explanations given to us there are no undisputed amounts payable in respect of Income-tax, Wealth-tax, Customs Duty and Excise Duty which remains outstanding as at 30th June 1999 for a period exceeding six months from the date they became payable.
13. According to the information and explanations given to us no personal expenses have been charged to Revenue Account, other than those payable under contractual obligation or in accordance with the generally accepted business practices.
14. The Company has maintained adequate documents and proper records in respect of loans and advances granted against security by way of pledge of shares, debentures and other securities.
15. We are informed that any special statute applicable to Chit Fund, Nidhi and Mutual Benefit Society do not apply to the Company.
16. The Company has maintained proper record of transactions and contracts and timely entries have been made therein in respect of shares, debentures and other securities. All the investments are held by the Company in its own name except for those under transfer/delivery.

For **MAHENDRA KUMBHAT & ASSOCIATES**
Chartered Accountants

Place : Chennai
Dated : August, 7 1999

T.G. RAMANATHAN
Partner

BALANCE SHEET AS AT 30TH JUNE, 1999

PARTICULARS	SCHEDULE	As at 30th June, 1999 Rs. in Lacs	As at 30th June, 1998 Rs. in Lacs
SOURCES OF FUNDS			
Share Holders' Funds :			
Share Capital	"A"	1459.00	1459.00
Reserves And Surplus	"B"	9381.27	8731.58
		10840.27	10190.58
Loan Funds :			
Secured Loans	"C"	33482.43	27945.04
Unsecured Loans	"D"	6763.79	12832.55
		40246.22	40777.59
		51086.49	50968.17
APPLICATION OF FUNDS			
Fixed Assets :	"E"		
Gross Block		14677.94	14816.83
Less : Depreciation		5819.23	4837.95
		8858.71	9978.88
Investments :	"F"	1521.79	2816.09
Current Assets, Loans And Advances :	"G"		
Current Assets :			
Stock On Hire		41959.94	35073.74
Sundry Debtors		1926.29	1695.49
Cash And Bank Balances		3062.94	3326.11
Interest Accrued On Investments		414.66	316.70
		47363.83	40412.04
Loans And Advances :		2284.15	1875.09
		49647.98	42287.13
Less:			
Current Liabilities And Provisions :	"H"		
Current Liabilities		7678.66	3332.97
Provisions		1329.73	869.62
		9008.39	4202.59
Net Current Assets		40639.59	38084.54
MISCELLANEOUS EXPENDITURE	"I"	66.40	88.66
(To the extent not written off or adjusted)		51086.49	50968.17
Significant Accounting Policies	"O"		
Notes Forming Part Of Accounts	"P"		

Schedules "A" to "P" form an integral part of accounts.
This is the Balance Sheet referred to in our Report of even date.

FOR MAHENDRA KUMBHAT & ASSOCIATES
Chartered Accountants

For APPLE CREDIT CORPORATION LIMITED

T.G. RAMANATHAN
Partner

T.N. PADMANABHAN
Chairman

G.S. SAMUEL
Managing Director

B.SURESH
Dy. Managing Director

Place : Chennai
Dated : August 7, 1999

P. VAIDYANATHAN
Dr. NITISH SENGUPTA
Directors

J.R.K.SARMA
Company Secretary

M.V.S.SURYA RAO
Executive Vice President
Accounts & MIS