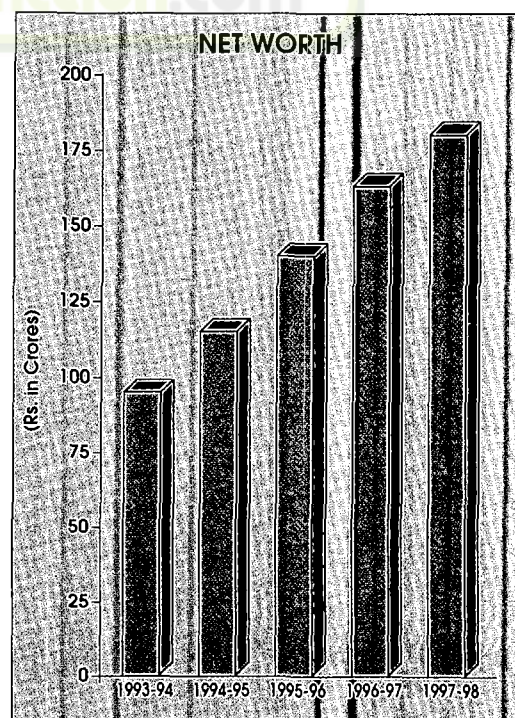
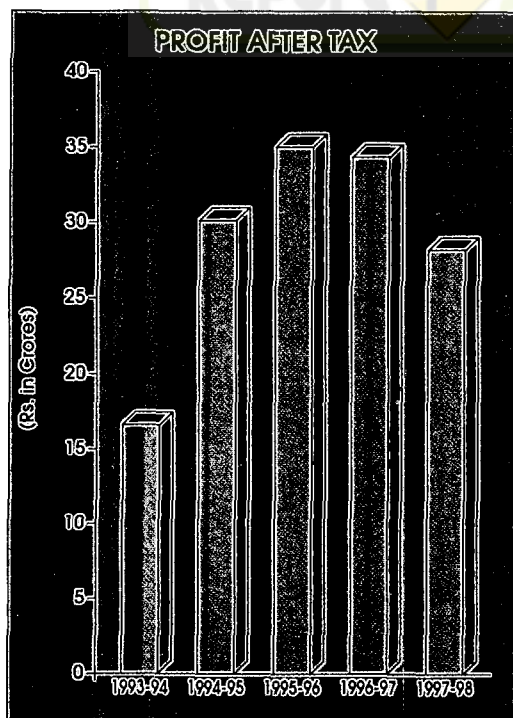
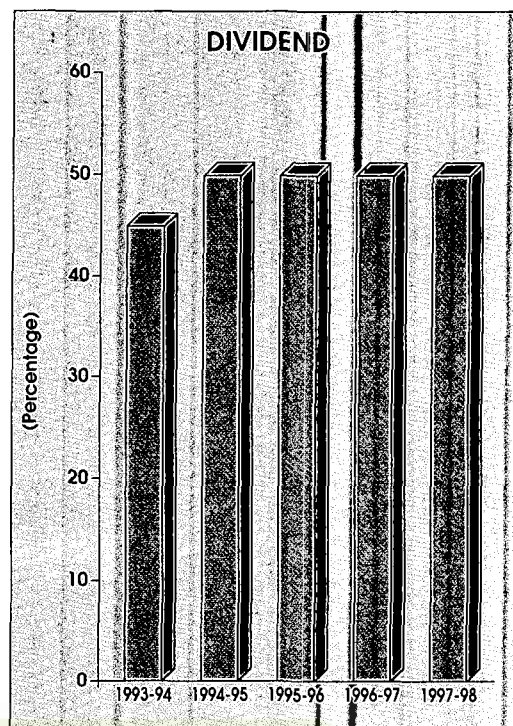
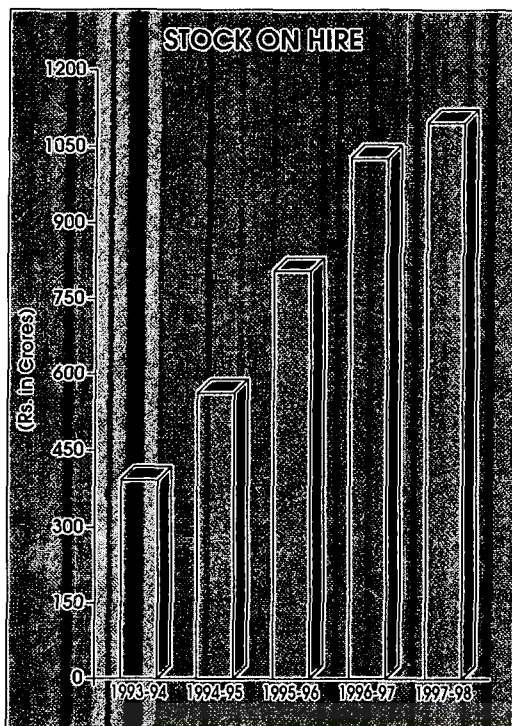


Annual Report - 1998

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Ashok Leyland Finance Limited





ASHOK LEYLAND FINANCE LIMITED

BOARD OF DIRECTORS

S. Venkitaramanan

Chairman

R.J. Shahaney

Vice Chairman

T. Anantha Narayanan

Bharat M. Sanghvi

A.C. Chakrabortti

V.R. Pappu

B.D. Punjabi

R. Seshasayee

S. Kuppuswami

Nominee of UTI

S. Nagarajan

Managing Director

CHAIRMAN EMERITUS

R.K. Talwar

SECRETARY

P. Ragunathan

REGISTERED OFFICE

Sudarsan Building

86 Chamiers Road

Chennai 600 018

Ph : 4356676, 4359457, 4359461

Fax : 44 - 4343646

FINANCIAL INSTITUTIONS

GE Capital Services India

ICICI Credit Corporation Limited

The Industrial Credit and Investment Corporation
of India Limited

Small Industries Development Bank of India

Industrial Development Bank of India

Housing Development Finance Corporation Limited

BANKERS

State Bank of India

American Express Bank Limited

Central Bank of India

Punjab National Bank

Canara Bank

United Bank of India

The Hongkong & Shanghai

Banking Corporation Limited

ANZ Grindlays Bank p.l.c.

The Karur Vysya Bank Limited

Citibank, N.A.

State Bank of Hyderabad

The Federal Bank Limited

State Bank of Saurashtra

Bank of Baroda

UTI Bank Limited

UCO Bank

Times Bank Limited

Bank of America

ABN AMRO Bank N.V.

State Bank of Mysore

Bank of India

The Catholic Syrian Bank Limited

AUDITORS

RV Chander & Associates

Kalpataru

87 Santhome High Road

Chennai 600 028

TRUSTEE - ODD LOT SHARES

S. Prasad

Chartered Accountant

"Siddarth Apartment, Flat No. 4, First Floor,

40, C.P. Ramasamy Road, Chennai - 600 018.

CONTENTS

PAGE

Highlights of Performance	2
Notice to the Shareholders	3
Explanatory Statement	8
Directors' Report	10
Auditors' Report	14
Balance Sheet	16
Profit and Loss Account	17
Schedules to the Accounts	18
Notes to the Accounts	25
Cash Flow Statement	29

HIGHLIGHTS OF PERFORMANCE

		Rs. Lakhs									
	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Gross Income	33064	28034	22445	17827	10114	7517	5069	3022	1761	772	422
Gross Profit	8656	7333	7163	6382	3429	2197	1503	1053	664	292	198
Profit Before Tax	4628	3453	4134	3736	1983	1289	990	719	448	193	141
Profit After Tax	2828	3443	3509	3021	1670	1274	919	719	403	161	118
Stock-on-Hire	110027	103018	80903	56626	39404	28674	18415	13706	8215	4534	2069
Assets on Lease	30463	29222	23261	16872	9893	6869	4086	2404	1481	819	478
Gross Assets	161099	154692	122198	99324	60333	40571	25329	17675	10704	5993	2558
Shareholders' Funds	18036	16334	14017	11532	9535	3580	2441	1647	1040	465	365
Fixed Deposits	35137	36782	17029	11603	8007	4801	4012	3045	1986	1100	224
Dividend (%)	50	50	50	50	45	40	40	35	30	25	20
Book Value (Rs.)	88.10	79.79	68.47	56.33	46.58 [@]	71.60 [#]	97.64	65.86	41.61	18.60	14.65
EPS (Rs.)	13.81	16.82	17.14	14.76	17.13 [@]	44.63 [#]	35.77	27.75	16.02	6.44	4.74

25,00,000 Shares issued during the year.

@ 1,54,72,000 Shares added – Bonus/Rights issue.



NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the company will be held at Sathguru Gnanananda Hall (Narada Gana Sabha), 254, TTK Road, Chennai 600 018 at 10.30 A.M. on Thursday, the 29th October, 1998, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 30th June, 1998 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. R J Shahaney who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. B D Punjabi who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. A C Chakrabortti who retires by rotation as per Article 42(1) of the Articles of Association of the company and who, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration. The retiring Auditors M/s. R V Chander & Associates, Chartered Accountants, Chennai are eligible for re-appointment. In this connection to consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED that M/s. R V Chander & Associates, Chartered Accountants, Chennai be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration of Rs. 2,00,000/- (Rupees Two lakhs only) in addition to reimbursement of out-of-pocket expenses”.

SPECIAL BUSINESS

7. To be moved as an Ordinary Resolution

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED that Mr. K C Samdani be and is hereby appointed as a Director of the Company”

8. To be moved as an Ordinary Resolution.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval for the reappointment of Mr. S Nagarajan, as Managing Director of the Company for a further period of three years with effect from 01.01.1999, subject to the following terms and conditions.

1. Salary Rs.45,000/- per month in the grade of Rs. 45,000 to Rs.70,000/- The annual increment will be effective 1st January every year and will be decided by the Committee of Directors.
2. Commission as may be approved by the Committee of Directors constituted for that purpose, for each year, subject to the over all limit of the total managerial remuneration of each year provided under Section 309 of the Companies Act, 1956 but subject to a maximum of two years' salary per year.
3. Special Allowance as may be approved by the Committee of Directors constituted for that purpose, for each year, subject to the over all limit of the total managerial remuneration of each year provided under Section 309 of the Companies Act, 1956 but subject to a maximum of one year's salary per year.
4. Perquisites:
 - a) In addition to the above remuneration, Mr. S Nagarajan shall also be entitled to perquisites like free furnished accommodation or house rent allowance including furnishing, gas, electricity and water, medical reimbursement and leave travel concession for self and family, club fees, medical insurance etc.

The annual value of these perquisites shall be restricted to an amount equal to the annual salary.

- b) In calculating the above ceiling, perquisites shall be evaluated as per the Income-tax rules, wherever applicable. In the absence of any such rules the perquisites shall be evaluated at actual costs. Provision for use of Company car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of the perquisites for the purpose of calculating the said ceiling.
- c) Company's contribution to Provident Fund and Superannuation Fund not exceeding 27% of the remuneration. Gratuity as per rules of the company and leave including encashment of leave as per company policy. This however, shall not be included in the computation of limits on perquisites as aforesaid.

In the event of loss or inadequacy of profits in any financial year during the tenure of Mr. S Nagarajan as Managing Director of the company he shall be entitled to receive, as minimum remuneration, the remuneration provided above or such other amount as may be approved by the Central Government not being less than the remuneration prescribed in Schedule XIII of the Companies Act, 1956, from time to time.

9. To be moved as an Ordinary Resolution:

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:

"RESOLVED THAT consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for mortgaging and/or charging all movable and immovable properties of the Company, wheresoever situate, both present and future, and the whole or substantially the whole of the undertaking

of the Company, in favour of the Banks that are in the consortium to secure facilities granted by the Banks aggregating to Rs.480 crore together with interest at the respective agreed rates, costs, charges, expenses and all other monies payable by the company to the Banks from time to time".

FURTHER RESOLVED that the consent of the company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging all movable and immovable properties of the company, wheresoever situate, both present and future, and the whole or substantially the whole of the undertaking of the company in favour of the banks that are in the consortium to secure facilities to be granted from time to time upto Rs.750 crore together with interest at the respective agreed rates, costs, charges, expenses and all other monies payable by the company to the banks from time to time.

10. To be moved as a Special Resolution:

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

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 and other applicable provisions if any, the Articles of Association of the company be and are hereby altered, substituted or inserted suitably in the manner enumerated below :

1. In clause 1(l) the existing definition of Member shall be substituted by the following definition.

"Member": "Member" means the duly registered holder from time to time of the shares of the Company of any class, and includes every person whose name is entered as a beneficial owner in the records of the depository, but does not include the bearer of a share warrant of the company issued in pursuance of Section 114 of the Act".

2. The following clauses shall be inserted after clause 1 (o)

(p) "Beneficial Owner": "Beneficial Owner" shall mean beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996"



(q) "Depository": "Depository" shall mean a Depository as defined under clause (c) of sub-section (1) of Section 2 of the Depositories Act, 1996".

(r) "Depositories Act, 1996": "Depositories Act, 1996" shall include any statutory modification or re-enactment thereof for the time being in force."

(s) "Securities & Exchange Board of India (SEBI)": "Securities and Exchange Board of India (SEBI)" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992".

(t) "Meanings": "words and expressions used and not defined in this Act, but defined in the Depositories Act, 1996 shall have the same meanings respectively assigned to them in that Act."

3. The following new clause 3 (d) be inserted after the existing clause 3 (c)

"Company to recognise interest in securities other than that of Registered holder, under Depositories Act, 1996.

Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996, as amended from time to time or any statutory modification thereto or re-enactment thereof."

4. The following new clause 3(e) shall be inserted after clause 3 (d)

"Power to company to dematerialise and rematerialise : The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and / or offer its fresh shares & debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any."

5. The following new clause 3(f) shall be inserted after clause 3 (e)

Options for Investors : Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, 1996, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

6. The following new clause 3(g) shall be inserted after clause 3 (f)

Securities in Depositories and Beneficial Owner : All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

7. The following new clause 3(h) shall be inserted after clause 3 (g)

Rights of Depositories and Beneficial Owners:

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be the member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

8. The following new clause 6B be inserted after the existing clause 6A:

Intimation to Depository : Notwithstanding anything contained in this clause, where securities are dealt with in a depository, the Company shall intimate the details of allotment of securities to depository immediately on allotment of such securities.

9. The following clause 6C shall be inserted after clause 6B :

Applicability of Articles 12 ,13,16, 17 : Articles 12, 13, 16, 17 will be applicable only to Shares and Securities issued in physical form; shares and securities issued and / or held in electronic medium in fungible form, will be governed by the provisions of the Depositories Act, 1996.

10. The following clause 14A shall be inserted after clause 14(d)

Effect of Depositories Act, 1996 : Articles 12 to 17 and the powers of Directors under Article 14 (a) to (d) are subject to the provisions of the Depositories Act, 1996.

11. The existing clause 18 shall be substituted with the following Article .

“Register and Index of Members : The Company shall cause to be kept at the Registered Office or at such other place as may be approved, a Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act, and the Depositories Act, 1996 with the details of shares held in physical and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be Register and Index of members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India a branch Register of members resident in that state or country.”

12. The following clause 71A shall be inserted after clause 71

Service of documents on the Company : Where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.”

11. To be moved as an Ordinary Resolution:

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT the Company do make investments from time to time upto and not exceeding Rs.15 crore (Rupees Fifteen Crore only), as may be decided by the Board of Directors in the share capital of Ashley Holdings Limited notwithstanding that such investments at any time exceed 30% of the equity capital or aggregate of the paidup equity and preference share capital, whichever is less, subject to the approval of the Central Government under section 372 of the Companies Act, 1956”.

12. To be moved as an Ordinary Resolution:

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT the Company do make investments from time to time upto and not exceeding Rs.15 crore (Rupees Fifteen Crore only), as may be decided by the Board of Directors in the share capital of Ashley Investments Limited notwithstanding that such investments at any time exceed 30% of the equity capital or aggregate of the paidup equity and preference share capital, whichever is less, subject to the approval of the Central Government under section 372 of the Companies Act, 1956”.

By Order of the Board

Registered Office
Sudarsan Building
86 Chamiers Road
Chennai 600 018.

August 20, 1998

P. RAGUNATHAN
General Manager
(Legal & Taxation) &
Secretary



NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The proxies, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. Please bring the admission slip with you duly filled in and hand over the same at the entrance of the Meeting Hall.
3. It will be helpful if your Registered Folio Number is quoted in all your correspondence with the Company.
4. The Explanatory Statement setting out the material facts in respect of the business under Item Nos. 7, 8, 9, 10, 11 & 12 of the accompanying Notice pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 9th October, 1998 to 29th October, 1998 (both days inclusive).
6. Members are requested to notify any change in address, mandate for dividend on or before 8.10.1998. It will not be possible for the company to act upon such request after that date.
7. All documents referred to in the above Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during Office Hours.
8. As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) (Amendment) Rules, 1988, we hereby confirm that unpaid/ unclaimed dividend for the financial year ended June 30, 1994 (paid on 9th November, 1994) was transferred to the General Revenue Account of the Central Government as per details given below:

Dividend for the year ended	No. of Shares	Holders	Amount Rs.	Date of Transfer
30.6.1994	69689	198	1,98,201	07.01.1998

Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No.26 Haddows Road, Chennai 600 006.

9. The Unpaid dividend pertaining to the financial year ended 30th June, 1995 (paid on 19th October, 1995) is due to be transferred to the General Revenue Account of the Central Government on or before 6.12.1998. Those who have not encashed the payment may please write to the Company quoting their Regd. Folio Number on or before 31st October, 1998.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.7

The Company has received a notice under Section 257 of the Companies Act, 1956 from a member, together with the requisite fee, informing of his intention to propose the appointment of Mr. K C Samdani, as a Director of the Company in the vacancy caused by the death of Mr. K R Ramamani.

Mr. Samdani is a senior legal professional with long experience in industry who is presently Vice-President (Legal) of Hinduja Group India Limited.

None of the Directors is interested in this resolution except Mr. K C Samdani.

Item No.8

Mr. S Nagarajan was reappointed as Managing Director of the Company for a period of 3 years effective from 01.01.1996 and the same expires as at the close on 31.12.1998. At the meeting of the Board of Directors held on 20th August, 1998 Mr. S Nagarajan has been reappointed as Managing Director for a further period of three years with effect from 01.01.1999 on a remuneration as set out in the notice.

The reappointment of Mr. S Nagarajan as Managing Director and the remuneration payable to him requires the approval of the shareholders under Section 269 of the Companies Act, 1956. Accordingly the ordinary resolution as set out in the notice is placed before the shareholders for their approval.

This explanatory note together with the accompanying notice is and should be treated as an abstract of the terms of service of Mr. S Nagarajan and memorandum of interest under Section 302 of the Companies Act, 1956.

None of the Directors is interested in this resolution except Mr. S. Nagarajan.

Item No.9

The company has been granted working capital limits by the Consortium of Bankers to the extent of Rs.480 crore. The above limits are to be secured by mortgage/ charge on the movable and

immovable properties of the company present and future.

The banks will be enhancing this facility from time to time depending upon the working capital requirements of the company and it will be necessary for the company to secure such facilities by creating charge/mortgage on the movable and immovable properties of the company.

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of a public company shall not without the consent of the company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the company.

Since the charge or mortgage by the company of its movable or immovable properties as aforesaid in favour of the bankers may be regarded as disposal of the companies properties/ undertakings, it is necessary for the members to pass a resolution u/s. 293(1)(a) of the Companies Act, 1956 for creating such charge/ mortgage.

Accordingly the resolutions as set out under item no. 9. of the accompanying notice is placed before the Shareholders for approval.

None of the Directors is interested in this resolution.

Item No.10

Your company has joined the Depository System under the Depositories Act, 1996. Consequent to this, some of the provisions of the Articles of Association have to be amended to facilitate implementation of the new system. This would improve the service to the investors and shareholders as the securities held in electronic form is far more safer and more convenient method for holding and trading in the securities of a Company. The alterations to the Articles as set out in the resolution is placed for your approval.

None of the Directors is interested in this resolution.

Item No.11 & 12

Ashley Holdings Limited and Ashley Investments Limited were promoted by Ashok Leyland Limited,