

ANNUAL REPORT
1999

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. Chakraborti

B.D. Punjabi

K.C. Samdani

A.J. Sandil

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
ICICI Limited
Small Industries Development Bank of India
Industrial Development Bank of India
Housing Development Finance Corporation Limited

BANKERS

State Bank of India
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
Centurion 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	6
Directors' Report	7
Auditors' Report	10
Balance Sheet	12
Profit and Loss Account	13
Schedules to the Accounts	14
Notes to the Accounts	21
Cash Flow Statement	25

HIGHLIGHTS OF PERFORMANCE

		Rs. Lakhs									
	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89
Gross Income	28668	33064	28034	22445	17827	10114	7517	5069	3022	1761	772
Gross Profit	5194	8656	7333	7163	6382	3429	2197	1503	1053	664	292
Profit Before Tax	1712	4628	3453	4134	3736	1983	1289	990	719	448	193
Profit After Tax	1502	2828	3443	3509	3021	1670	1274	919	719	403	161
Stock-on-Hire	89094	110027	103018	80903	56626	39404	28674	18415	13706	8215	4534
Assets on Lease	28339	30463	29222	23261	16872	9893	6869	4086	2404	1481	819
Gross Assets	141868	161099	154692	122198	99324	60333	40571	25329	17675	10704	5993
Shareholders' Funds	18629	18036	16334	14017	11532	9535	3580	2441	1647	1040	465
Fixed Deposits	29971	35137	36782	17029	11603	8007	4801	4012	3045	1986	1100
Dividend (%)	40	50	50	50	50	45	40	40	35	30	25
Book Value (Rs.)	90.10	88.10	79.79	68.47	56.33	46.58 @	71.60 #	97.64	65.86	41.61	18.60
EPS (Rs.)	7.34	13.81	16.82	17.14	14.76	17.13 @	44.63 #	35.77	27.75	16.02	6.44

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 SEVENTEENTH ANNUAL GENERAL MEETING of the company will be held at T.T. Krishnamachari Auditorium, Music Academy, 306, T.T.K. Road, Chennai - 600 014 at 10.30 a.m. on Thursday, the 25th November, 1999, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 30th June, 1999 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. Bharat M Sanghvi 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. R Seshasayee 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. T Anantha Narayanan 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.

SPECIAL BUSINESS

6. To consider and approve the appointment of M/s. Prasad and Srinath, Chartered Accountants, Chennai, as Auditors of the company and pass the following as an ordinary resolution:

"RESOLVED that M/s. Prasad and Srinath, 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".

7. To be moved as an Ordinary Resolution:

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

"RESOLVED that the Authorised Capital of the Company be and is hereby increased from Rs.50,00,00,000 (Rupees Fifty Crore only) consisting of 5,00,00,000 Equity Shares of Rs.10/- each to Rs. 102,00,00,000 (Rupees One Hundred and Two Crore only) consisting of 5,00,00,000 Equity Shares of Rs.10/- each and 1,04,00,000 Cumulative Convertible Preference Shares of Rs.50/- each by creation of additional 1,04,00,000 Cumulative Convertible Preference Shares of Rs.50/- each".

8. To be moved as an Ordinary Resolution:

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

"RESOLVED that the existing Clause V of the Memorandum of Association of the Company be deleted and in its place the following be and is hereby inserted:

The Authorised Capital of the Company is Rs.102,00,00,000 (Rupees One Hundred and Two Crore only) divided into 5,00,00,000 Equity Shares of Rs.10/- each and 1,04,00,000 Cumulative Convertible Preference Shares of Rs.50/- each".

9. To be moved as a Special Resolution:

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

"RESOLVED that Article 3(a) of the Articles of Association of the Company be and is hereby altered by substituting the following:

"The Authorised Capital of the Company is Rs.102,00,00,000 (Rupees One Hundred and Two Crore only) divided into 5,00,00,000 Equity Shares of Rs.10/- each and 1,04,00,000 Cumulative Convertible Preference Shares of Rs.50/- each".

10. **To be moved as a Special Resolution:**

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

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and the Articles of Association of the Company and subject also to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof), as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board to make an issue of 1,04,00,000 Cumulative Convertible Preference Shares of Rs.50/- each for cash on Rights basis to the members of the Company whose names appear on the Register of Members on such date as the Board may hereinafter determine in the ratio of One Cumulative Convertible Preference Share for every Two Equity Shares held by such members".

"RESOLVED FURTHER that the aforesaid proposal shall be subject to the following terms and conditions:

- a) Members will have the right to renounce the offer of Cumulative Convertible Preference Shares in favour of their nominee/s, provided that the Board shall have the absolute discretion to reject any such nominee/s without assigning any reason.
- b) The Members will have the option to apply for additional shares provided that the Member who has renounced his right in

full or part shall not be entitled to apply for additional shares.

- c) The full amount of Rs.50/- each per share shall be payable on application.
- d) The rate of dividend payable on the Cumulative Convertible Preference Shares shall be 9%.
- e) The unsubscribed shares, if any, from the shares offered to the Members of the Company shall be disposed of by the Board in such manner as they may think fit.
- f) The Cumulative Convertible Preference Shares shall be converted into Equity Shares at the end of three years from the date of allotment.
- g) The issue and allotment of the said Cumulative Convertible Preference Shares to Non-Resident Members of the Company shall be subject to the approval of Reserve Bank of India under the Foreign Exchange Regulation Act, 1973.
- h) Application shall be made by the Company for listing of the said Preference shares on the Stock Exchanges of Chennai, Mumbai and Calcutta.

"RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things including allotments and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable, and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the said Preference Shares, as they may think fit".

By Order of the Board

Registered Office
Sudarsan Building
86 Chamiers Road
Chennai 600 018.

September 16, 1999

P. RAGUNATHAN
General Manager
(Legal & Taxation) &
Company 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. 6, 7, 8, 9 & 10 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 10th November, 1999 to 25th November, 1999 (both days inclusive).
6. Members are requested to notify any change in address, mandate for dividend on or before 9.11.1999. 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, 1995 (paid on 19.10.1995) 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
30.06.1995	167704	728	8,38,521	12.12.1998

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.

EXPLANATORY STATEMENT

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

Item No.6

M/s. R V Chander & Associates, Chartered Accountants, Chennai, were appointed as Auditors of the Company at the Annual General Meeting held on October 29, 1998, to hold office till the conclusion of the next Annual General Meeting. However, M/s. R V Chander & Associates expressed their desire to handle the audit of your company through an associate firm M/s. Prasad & Srinath, Chartered Accountants, as Auditors, from this Annual General Meeting, to hold office till the conclusion of the next Annual General Meeting, subject to approval of the shareholders. Hence, the resolution as proposed in the notice under item 6 is placed for your approval.

None of the Directors is interested in this resolution.

Item No. 7, 8, 9

The present Authorised Capital of the Company is Rs.50,00,00,000 (Rupees Fifty Crore only) divided into 5,00,00,000 Equity Shares of Rs.10/- each.

In view of the proposed issue of Cumulative Convertible Preference Shares on rights basis, the Authorised Capital has to be changed to include the Preference Share Capital also. Considering the conversion of Preference Shares after 3 years the Authorised Capital should also be increased.

None of the Directors of the Company is interested in these resolutions.

Item No. 10

In order to augment long term resources for working capital requirements of the Company and to strengthen its capital base, it is proposed to issue subject to the guidelines of SEBI and subject to such consent, approvals, permissions and sanctions as may be necessary, Cumulative Convertible Preference Share of the face value of Rs.50/- each

aggregating to Rs. 52 Crore on Rights Basis to the existing shareholders of the company.

The Cumulative Convertible Preference Shares as proposed to be issued subject to the terms and conditions mentioned in the Special Resolution is set out at Item No.10 of the Notice. Section 81(1) of the Companies Act, 1956 provides that if it is proposed to increase subscribed capital by allotment of fresh shares then such further shares shall be offered to persons who at the date of the offer are holders of the equity shares of the company in proportion as the circumstances demand to the capital paid up on these shares at that date and in the manner as set out in the said Section 81(1). However, pursuant to Sub Section (1A) of the said section 81 of the Act, notwithstanding anything contained in sub section (1) further shares to be issued may be offered in any manner whatsoever to any persons whether or not such persons are existing shareholders of the company.

As the Board of Directors are empowered to allot the unsubscribed Cumulative Convertible Preference Shares, if any, to any person whom they deem fit, the Special Resolution as set out in Item No.10 of the Notice is placed before the Shareholders for approval.

The Board of Directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of their respective shareholdings in the Company.

By Order of the Board

Registered Office
Sudarsan Building
86 Chamiers Road
Chennai 600 018.

September 16, 1999

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



DIRECTORS' REPORT

Your Directors are pleased to present the Seventeenth Annual Report along with Audited Accounts for the year ended June 30, 1999.

FINANCIAL RESULTS

	1999 (Rs. lakhs)	1998 (Rs. lakhs)
Profit Before Tax	1711.98	4627.98
Less: Provision for Taxation	210.00	1800.00
Profit After Tax	1501.98	2827.98
Add : Balance in Profit & Loss Account brought forward from previous year	1000.18	1028.02
Profit Available for appropriations	2502.16	3856.00
Appropriations		
Dividend - Proposed	818.88	1023.60
Tax on Dividend	90.08	102.36
General Reserve	300.00	1000.00
Statutory Reserve	300.50	600.00
Debenture Redemption Reserve	75.83	129.86
Surplus Balance in Profit & Loss Account	916.87	1000.18

DIVIDEND

Your Directors are pleased to recommend a dividend of 40% (Rs.4 per Equity Share of Rs. 10/- each) on the Paid-up Equity Share Capital of the Company.

BUSINESS

The commercial vehicle industry suffered one more year of set back on account of unprecedented long spell of slow down in Indian economy with many key sectors posting negative growth. The sales volume of the commercial vehicles for the year ended March 99 was 11.6% lower than the previous year. The cash flow and viability of commercial vehicle operators continued to be depressed affecting recoveries in general.

Your company's performance for the current year should be reviewed against this backdrop. Total disbursement for the current year at Rs. 906 Crore is lower by 11% (Rs.1015 Crore). Hire Purchase disbursement was at Rs. 890 crore as against Rs.1000 crore last year and lease financing of Rs.15.85 Crore from Rs.15 Crore last year.

Pursuant to the regulatory changes effected by Reserve Bank of India, NBFCs continued to witness resource contraction due to lack of investors' confidence. Banks

and Financial Institutions also prolonged their policy of limiting their exposure to NBFCs. Alternate sources of funding were either inaccessible or unavailable.

Enhancement of capital adequacy ratio to 12% (to be achieved by March 99) has also made NBFCs to limit the growth of their balance sheet in the absence of avenues to raise viable capital.

Indian corporates' viability suffered due to excess capacity particularly owing to increased availability of price-competitive imported substitutes and lack of matching domestic demand. This resulted in some of the corporates, to whom your company had extended finance, defaulting in payments. This has meant higher provisions. Your company has reduced its exposure to these segments significantly in the last two years.

Yet another factor which makes the situation difficult for existing NBFCs is that Financial Institutions, Banks and other large players in the industry have turned their attention to the retail vehicle segment particularly to the commercial vehicle sector with a view to improving their asset portfolio. Due to this intense competition and the need for retaining the more creditworthy customers in our fold, the margin fell further in the current year. As a