

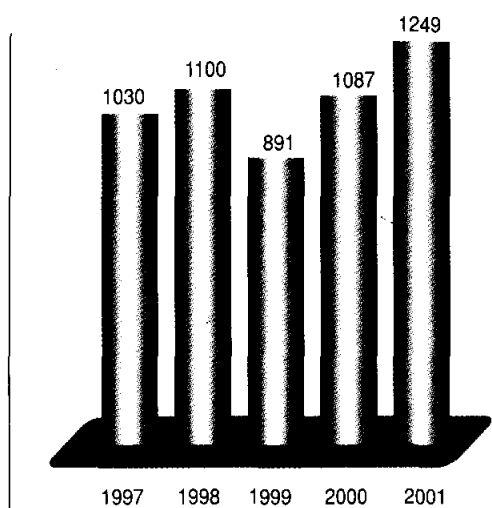
# Annual Report 2001



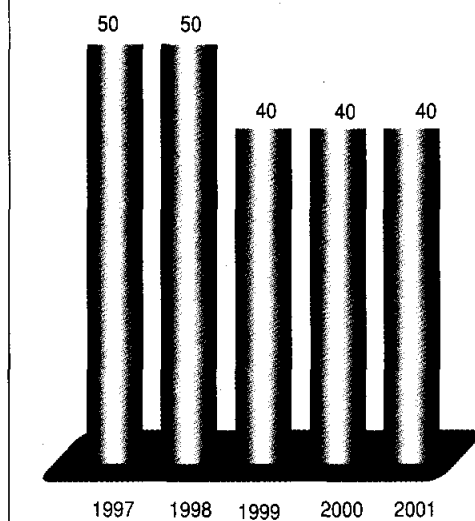
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**Ashok Leyland Finance Limited**

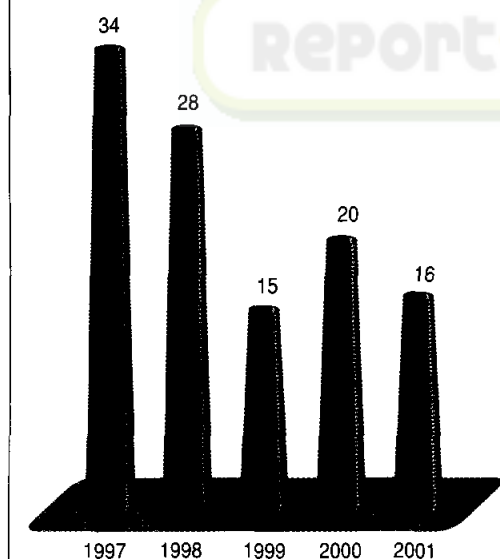
Work on Hire - Rs. Crore



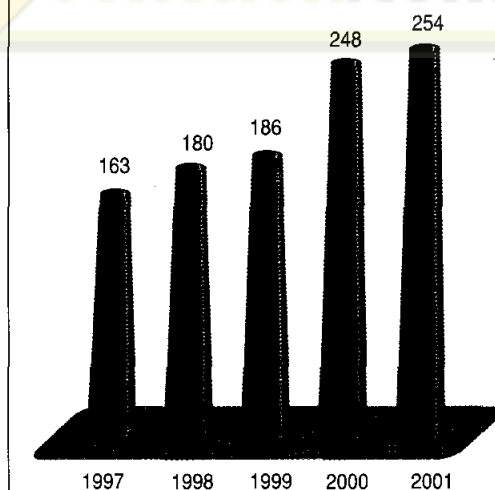
Dividend (%)



Profit After Tax - Rs. Crore



Networth - Rs. Crore





## 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. Solomon Raj**

**S. Kuppuswami**  
Nominee of UTI

**S. Nagarajan**  
Managing Director

### CHAIRMAN EMERITUS

**R.K. Talwar**

### SECRETARY

**P. Ragunathan**

### REGISTERED OFFICE

Sudarsan Building  
86 Chambers Road  
Chennai 600 018  
Ph : 4356676, 4359457, 4359461  
Fax : 44 - 4343646

### FINANCIAL INSTITUTIONS

GE Capital Services India  
Citicorp Finance (India) Limited  
ICICI Limited  
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  
Standard Chartered Grindlays Bank  
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  
HDFC Bank Limited  
Bank of America  
ABN AMRO Bank N.V.  
State Bank of Mysore  
Bank of India  
The Catholic Syrian Bank Limited  
ICICI Bank Limited

### AUDITORS

**Prasad & Srinath**  
"Siddarth Apartment", Flat No. 4, First Floor,  
40, C.P. Ramasamy Road,  
Chennai 600 018.

### TRUSTEE - ODD LOT SHARES

**S. Prasad**  
Chartered Accountant  
"Siddarth Apartment", Flat No. 4, First Floor,  
40, C.P. Ramasamy Road, Chennai 600 018.

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## HIGHLIGHTS OF PERFORMANCE

		Rs. Lakhs									
	<b>2000-2001</b> (9 months)	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
Gross Income	<b>19663</b>	24772	28668	33064	28034	22445	17827	10114	7517	5069	3022
Gross Profit	<b>4397</b>	5461	5194	8656	7333	7163	6382	3429	2197	1503	1053
Profit Before Tax	<b>2368</b>	2326	1712	4628	3453	4134	3736	1983	1289	990	719
Profit After Tax	<b>1618</b>	2026	1502	2828	3443	3509	3021	1670	1274	919	719
Stock-on-Hire	<b>124874</b>	108713	89094	110027	103018	80903	56626	39404	28674	18415	13706
Assets on Lease	<b>20430</b>	22339	28339	30463	29222	23261	16872	9893	6869	4086	2404
Gross Assets	<b>170861</b>	153728	141868	161099	154692	122198	99324	60333	40571	25329	17675
Shareholders' Funds	<b>25357</b>	24796 <sup>*</sup>	18629	18036	16334	14017	11532	9535	3580	2441	1647
Fixed Deposits	<b>22436</b>	24604	29971	35137	36782	17029	11603	8007	4801	4012	3045
Dividend (%)	<b>40<sup>†</sup></b>	40	40	50	50	50	50	45	40	40	35
Book Value (Rs.)	<b>98.86</b>	96.12	91.00	88.10	79.79	68.47	56.33	46.58 <sup>@</sup>	71.60 <sup>#</sup>	97.64	65.86
EPS (Rs.)	<b>8.06<sup>†</sup></b>	9.56	7.34	13.81	16.82	17.14	14.76	17.13 <sup>@</sup>	44.63 <sup>#</sup>	35.77	27.75

# 25,00,000 Shares issued during the year.

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

\* Includes Rs. 5118.01 lakhs Cumulative Convertible Preference Shares issued during the year.

\$ Prorated for nine months.

&amp; Annualised EPS.



## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of the company will be held at The Music Academy, New No.168 (Old No.306), TTK Road, Chennai 600 014 at 10.30 AM on Wednesday, the 25<sup>th</sup> July, 2001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2001 and the Profit and Loss Account for the period 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. A C Chakraborti 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. K C Samdani 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. Prasad and Srinath, 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. 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.3,50,000/- (Rupees Three Lakhs Fifty

thousand 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 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 January 1, 2002, subject to the following terms and conditions.

1. Salary Rs.60,000/- per month in the grade of Rs.60,000/- to Rs.90,000/-. 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. Provisions 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) He shall be entitled to 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. These however, shall not be included in the computation of limits on perquisites as aforesaid.

In the event of loss or inadequacy of profits during the tenure, Mr.S Nagarajan as Managing Director of the company 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.

#### 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 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 moveable 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, Financial Institutions, other investing agencies or persons or bodies corporate to secure Term loans, Lines of credits and other facilities to be granted from time to time upto Rs.800 crore together with interest at the respective agreed rates, costs, charges, expenses and all other monies payable by the company to the aforesaid lenders from time to time.

By Order of the Board

Registered Office  
Sudarsan Building  
86 Chamiers Road  
Chennai 600 018.

April 23, 2001

**P. RAGUNATHAN**  
General Manager  
(Taxation & IA) &  
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 No. 7 & 8 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 16<sup>th</sup> July, 2001 to 25<sup>th</sup> July, 2001 (both days inclusive).
6. 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.
7. Consequent to the amendment to Section 205A and establishment of Investors' Education and Protection Fund, the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the aforesaid fund.  
  
Shareholders who have not encashed the dividend warrants for the year ended 30.6.1996 and or any subsequent dividend payments are required to make their claim to the company.  
  
Shareholders who have not encashed the dividend warrants for the earlier years (prior to June, 1996) are requested to claim the amount from the Registrar of Companies (Tamil Nadu), Shastri Bhavan, No.26 Haddows Road, Chennai 600 006.

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**EXPLANATORY STATEMENT***(Pursuant to Section 173(2) of the Companies Act, 1956)***Item No. 7**

Mr. S Nagarajan is a Chartered Accountant and also a Company Secretary. He joined Ashok Leyland Finance Limited (ALF) in 1988 as Chief Executive and Secretary and in 1990 he was appointed as Managing Director. Prior to joining ALF he was with Ashok Leyland Limited since 1973. In this period he held various positions in Audit, Corporate Planning, Consolidation and Marketing Finance. He is also a Director in Ashley Holdings Limited, Ashley Investments Limited, Ashok Leyland Investment Services Limited, Director – Incharge in Ashok Leyland Properties Limited and ALIT Software Limited.

The Shareholders at the Annual General Meeting held on October 29, 1998 reappointed Mr. S Nagarajan as Managing Director of the Company for a period of 3 years effective from January 1, 1999 and the same expires as at the close on December 31, 2001. At the meeting of the Board of Directors held on April 23, 2001 Mr. S Nagarajan has been reappointed as Managing Director for a further period of 3 years with effect from January 1, 2002 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.

Mr. S. Nagarajan is interested in the said resolution.

**Item No. 8**

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 moveable and immovable properties as aforesaid in favour of the Banks, Financial Institutions, other investing agencies or persons or bodies corporate 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 and for this purpose the resolution as set out in Item No.8 is placed before the shareholders.

None of the Directors is interested in the resolution.

By Order of the Board

Registered Office  
Sudarsan Building  
86 Chamiers Road  
Chennai 600 018.

**P. RAGUNATHAN**  
General Manager  
(Taxation & IA) &  
Company Secretary

April 23, 2001





## DIRECTORS' REPORT

Your directors are pleased to present the Nineteenth Annual Report along with Audited Accounts for the period ended (nine months) March 31, 2001.

### FINANCIAL RESULTS

#### Profit Before Tax

Less: Provision for Taxation

#### Profit After Tax

Add: Balance in Profit & Loss Account

brought forward from previous year

Debenture redemption reserve no longer required

#### Profit Available for appropriations

#### Appropriations

Dividend on Equity –

Dividend on CCPS

Tax on Dividend

General Reserve

Statutory Reserve

Debenture Redemption Reserve

#### Surplus Balance in Profit & Loss Account

9 months ended 31-03-2001 (Rs. lakhs)	12 months ended 30-06-2000 (Rs. lakhs)
2367.96	2325.80
750.00	300.00
1617.96	2025.80
1432.90	916.87
458.34	1130.55
3509.20	4073.22
614.16	818.88
345.46	55.53
97.88	102.30
1000.00	1000.00
325.00	410.00
60.00	253.61
1066.70	1432.90

### DIVIDEND

The Directors recommend a Dividend of 40% (Prorata) (Rs. 3 per equity share of Rs. 10 each) free of tax for the period ended (nine months) 31.3.2001.

A dividend @ 9% free of tax (Prorata) on Cumulative Convertible Preference Shares (CCPS) is declared as per terms of the issue.

### BUSINESS

Market scenario for Commercial Vehicles remained sluggish during the current year with private sector sales registering 19% decrease. Demand for cars, multi utility vehicles and construction equipment was also stagnant. Unequal competition from Multi National Companies, Banks and Financial Institutions continue and in order to retain customers, NBFCs have had to reduce their margins resulting in pressure on profitability.

In this scenario your company during the 9 months period has disbursed Rs.1013 crore as against Rs.953 crore registered last year. The hire purchase disbursement was at Rs.1000 crore for 2000-01 (9 months period) as against Rs.939 crore last year. The volume of trade bills discounted during the year was at Rs.94 crore as against Rs.173 crore last year. Profit before tax for the current period was Rs.23.68 crore as against Rs.23.26 crore last year. The Profit after tax for the 9 months period was Rs.16.18 crore (Rs.20.26 crore last year).

### FUTURE PROSPECTS

It is expected that demand for Commercial Vehicles in the ensuing year will recover mainly on account of replacement needs. Industry friendly budget with focus on infrastructure development is also expected to stimulate demand for commercial vehicles. However, NBFCs will have to gear themselves to face intense competition from Multi National Companies and large Financial Institutions. To meet these challenges and achieve growth in volumes and profits, your company has initiated steps to change product mix, reduce operating costs and enter into new areas of financing like channel financing and financing of working capital needs of operators.

Your company had launched financing of personal products during the first quarter of 2001 and it is likely to become an important profile in our business in the coming years. Your company's branch network, skilled manpower and efficient process capabilities and the initiatives to change / expand product range will enable your company to improve its market position and post satisfactory results in the years to come

### RESOURCES

#### a) Deposits

Your Company received fresh deposits of Rs.18.48 crore (Rs. 42.61 Crore last year) and with renewals

of Rs. 55.58 crore the total deposits mobilised stood at Rs.74.06 crore.

Overall deposit from Public as on March 31, 2001 stood at Rs. 224.36 crore as against Rs. 246.04 crore last year.

Deposits matured but unclaimed as at the end of the year amounted to Rs.794.28 lakhs (6517 deposits). 1331 deposits totaling to Rs.145.64 lakhs have been since settled or renewed. Periodic reminders are sent to the depositors for repayment / renewal of deposits

Your company's FAA rating was reaffirmed by the Credit Rating Information Services of India Ltd. (CRISIL), which signifies "degree of safety regarding timely payment of interest and principal is strong".

**b) Bank Limits**

**Working Capital Limits**

The Consortium of Bankers continued to extend their support by renewing working capital limit of Rs. 480 crore. Within the working capital limits your company has raised resources through Commercial Paper and FCNR (B) Loans.

**1) Commercial Paper**

Your Company enjoys the highest rating of P1+ from CRISIL for Rs.375 crore of Commercial Paper Programme & Short Term Debentures. Your company has issued Commercial Paper aggregating to Rs.595 crore during the year (Rs.630 crore last year). The amount outstanding at the end of the year was Rs. 210 Crore (Rs.200 crore last year).

**2) FCNR (B) Loans:**

During the year, your company availed Foreign Currency Non Resident (B) loans aggregating to Rs.297 crore (Rs.201 crore last year) from the bankers, at competitive rates. These FCNR (B) loans together with the interest thereon are fully covered against exchange risks.

**c) Debentures**

During the year, your company issued Secured Redeemable Non Convertible Debentures (SRNCD) to the extent of Rs.29.75 crore (Rs.135 crore last year) on private placement basis.

**d) Term Loans**

During the year, your company availed Term Loans aggregating to Rs. 355 crore (Rs. 92 crore last year) from banks and financial institutions at competitive pricing.

**e) Asset Securitisation**

Your company has securitised hire purchase receivables to the tune of Rs.500 crore this year (Rs.340 crore last year) at competitive rates.

**PRUDENTIAL NORMS FOR NBFCs**

Your Company has complied with all the requirements prescribed by regulatory agency. Capital adequacy stood at 18.92% (20.14% last year) as on March 31, 2001 as against 12% stipulated in the RBI guidelines. Standard assets constituted 94.64% (94.51% last year) of the total assets and the net non-performing assets, after provisioning stood at 1.11% (1.29% last year).

**CORPORATE GOVERNANCE**

Your Company is required to ensure full compliance with SEBI Guidelines before March 31, 2002. However, your company has already complied with all the requirements prescribed by SEBI. A Report on Corporate Governance forms part of this Annual Report.

**DIRECTORS**

As per Articles 42 and 43 of Articles of Association, M/s AC Chakraborti, Bharat M Sanghvi and K C Samdani retire by rotation and being eligible offer themselves for reappointment.

Mr. AC Chakraborti is a Chartered Accountant and former President of the Institute of Chartered Accountants of India. He is a Director in the following companies and has vast experience in Finance and Accounting. He is the Chairman of La Opala Glass Ltd and Peerless Hospitex Hospital and Research Centre Ltd, Vice Chairman of Grindwell Norton Ltd and a Director in GIS Limited, STI (India) Ltd, Binani Industries Ltd, Tamil Nadu Petroproducts Ltd, Ispat Industries Ltd, Jagsonpal Pharmaceuticals Ltd, Rasoi Industries Ltd, Fort Gloster Industries Ltd, Texmaco Ltd, Calcutta Metropolitan Group Ltd, Peerless General Finance & Investment Co. Ltd and First India Asset Management Ltd. He is also a member of eight Board Committees excluding ALF.

Mr. Bharat M Sanghvi is the Managing Director of Automotive Manufacturers Private Limited, one of the dealers of Ashok Leyland Limited and has vast exposure in Automobile Industry.

Mr. K C Samdani is an Advocate and has vast experience in the field of law. He has also worked as GM (Law) in State Bank of India. He is also a Director in IndusInd Media & Communications Ltd, Tele Video Communications Ltd, Cable Video (India) Ltd, IndusInd Cable Television (Bombay) Pvt Ltd, In2Cable.com (India) Pvt Ltd and CVO Holdings Pvt Ltd. He is also a member in one Board Committee.