

NINETEENTH ANNUAL REPORT

2004 - 2005

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VBC FINANCE & LEASING LIMITED

Registered Office :
6-2-913/914, Ground Floor Progressive Towers
Khairatabad, HYDERABAD - 500 004.

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BOARD OF DIRECTORS

M.S. Rama Rao

C. Madhusudan

Ch. Srihari

L.N. Sharma

B. Gopala

M. Srimani - Whole time Director

AUDITORS :

M/s. BRAHMAYYA & CO.

Chartered Accountants

26-13-37, Sanyasi Raju Street

Vijayawada - 520 003

NINETEENTH ANNUAL GENERAL MEETING

Date : 30th September 2005

Day : Friday

Time : 3.30 p.m.

Place : Surana Udyog Auditorium
FAPCCI, 11-6-841, Red Hills
Hyderabad - 500 004

SHARE TRANSFER AGENTS :

(Physical & Demat)

VENTURE CAPITAL &

CORPORATE INVESTMENTS LTD.

6-2-913/914, Third Floor,

Progressive Towers, Khairatabad,

Hyderabad - 500 004.

Phone : 040-23322262/64

Registered Office :

6-2-913/914, Ground Floor,
Progressive Towers, Khairatabad
Hyderabad - 500 004.
Phone : 040-23301166/99

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the Meeting.



VBC FINANCE & LEASING LIMITED

NOTICE OF THE 19th ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of Members of VBC Finance & Leasing Limited, will be held on Friday, the 30 th September, 2005 at 3.30 p.m at Surana Udyog Auditorium of the Federation of Andhra Pradesh Chamber of Commerce & Industry situated at 11-6-841, Red Hills, Hyderabad-500 004 to consider the following: -

ORDINARY BUSINESS:

- (1) To consider and adopt the audited balance sheet as on 31st March 2005 and the Profit and Loss Account for the period ended on that date and the reports of Directors and Auditors thereon.
- (2) To appoint a Director in place of Shri C. Madhusudan who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint M/s Brahmayya & Co. Chartered Accountants as Auditors for the financial year 2005 - 2006, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

- (4) To consider and, if thought fit, to pass with or without Modification, the following resolution as an ordinary Resolution

RESOLVED THAT Mr. B. Gopala, Director who was appointed as an Additional Director of the company by the Board of Directors under Section 260 of the Companies Act, 1956 read with Article 94 of the Articles of Association of the company and who holds office upto the date of this Annual General Meeting, and in respect of whom the company has received a notice in writing, under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the company, liable to retire by rotation.

- (5) To consider and, if thought fit, to pass with or without Modification, the following resolution as an ordinary Resolution.

RESOLVED THAT Mr. L.N. Sharma, Director who was appointed as an Additional Director of the company by the Board of Directors under Section 260 of the Companies Act, 1956 read with Article 94 of the articles of Association of the Company and who holds office upto the date of this Annual General Meeting, and in respect of whom the company has received a Notice in writing, under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the company, liable to retire by rotation.

By order of the Board

Sd/-

M. SRIMANI

Whole-time Director

Place: Hyderabad
Date: 31.07.2005



VBC FINANCE & LEASING LIMITED

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

Item No. 4

Mr. B. Gopala was appointed as an Additional Director of the Company w.e.f. 1st June 2005 at the Board meeting held on the same day. According to the Provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting.

Mr. B. Gopala holds a post graduate degree in Metallurgy from IIT, Bangalore. He is promoter chairman of "Karthik Group" of Companies having interest in ferro alloys, finance & infrastructure projects.

As required by Section 257 of the Companies Act, 1956 notice was received from a member signifying his intention to propose him as a Director of the Company along with the requisite Deposit.

Except Mr. B. Gopala, no other Director of the Company is any way concerned or interested in this Resolution. Your Directors therefore commend the Resolution for your approval.

Item No. 5

Mr. L.N. Sharma was appointed as an Additional Director of the Company w.e.f. 1st June 2005 at the Board Meeting held on the same day. According to the provisions of section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting.

Mr. L.N. Sharma is a Fellow Member of Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He has to his Credit more than two decades of experience in the field of Finance, Accounts, Taxation and Secretarial Matters.

As required by Section 257 of the Companies Act, 1956 notice was received from a member signifying his intention to propose him as a Director of the Company along with the requisite Deposit.

Except Mr. L.N. Sharma, no other Director of the Company is any way concerned or interested in this Resolution. Your Directors opine that the expert services of Mr. L.N. Sharma would be beneficial to the business interests of the company and therefore Commend the Resolution for your approval.

NOTES: -

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and such proxy need not be a member of the company. In order to be effective the proxies should be deposited with the company at its registered office not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from 26th September 2005 to 30th September 2005 (both days inclusive)
3. Members who wish to seek any further information / clarification, at the meeting, on the annual accounts or operations of the Company are requested to send their queries at least a week in advance of the date of the Meeting, to the Registered Office of the Company.
4. Members are requested to intimate any change in their address to the company immediately.



VBC FINANCE & LEASING LIMITED

5. Members who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.
6. Members who have multiple folios in identical names or joint accounts in the same order are requested to intimate the Company's Registrars and Share Transfer Agents, at the aforesaid address, the ledger folios of such accounts to enable the Company to consolidate all such shareholdings into one account.
7. As per the recent amendment to the Companies Act, 1956, the members of a Company are allowed to nominate any person to whom the shares shall be transmitted in the event of member's death. Members are advised to contact the Company to avail this facility'.
8. Members are requested to bring their copies of Annual Reports at the time of attending the meeting.

By order of the Board

Sd/-

M. SRIMANI

Whole-time Director

Place: Hyderabad

Date: 31.07.2005

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**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors are glad to present the Company's 19th Annual Report and Audited Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

| | 2004-05 (Rs. Lakhs) | 2003-2004 (Rs. Lakhs) |
|---|--------------------------------------|--|
| Gross Profit before Interest and Depreciation | 54.20 | 150.64 |
| Less: Interest | 28.22 | 10.92 |
| Depreciation | 8.78 | 7.90 |
| Profit after Interest and Depreciation | 17.20 | 131.82 |
| Less: Provision for Taxation | 1.50 | 14.00 |
| Less : Reserve Fund as per Section 45-IC of RBI Act | 3.44 | 26.50 |
| Balance after Total Provisions | 12.26 | 91.32 |
| Less: Income Tax paid for earlier years | 0.40 | 0.40 |
| Add: Profit/(Loss) brought forward from Previous year | 36.82 | (54.10) |
| Balance of Profit carried over to next year | 48.68 | 36.82 |

DEPOSITS :

The Company has not accepted any fresh deposits during the year under review. The Company has repaid all unclaimed Deposits and has no liability towards deposit accounts. Further Reserve Bank of India has categorized the Company as a "Non- Deposit Accepting Company".

DIVIDEND :

Your Directors regret their inability to recommend dividend for the year under review and your Directors are hopeful to improve the over all performance of the Company in the ensuing years,

OPERATIONS:

The income generated by the company during the current year is Rs. 85.42 Lacs as against Rs. 74.05 in the previous year (excluding one time commission income of Rs. 100 Lacs). The company's strategy of investing in projects engaged in Power, Ferro Alloys and Tourism have started yielding results and the company is hopeful that its investments in emerging sectors will yield consistent dividends apart from value appreciation in the coming years.

INVESTMENTS :

The following are the brief profiles of the company in which our company has made major investments.

M/s Konaseema EPS Oakwell Power Ltd (KEOPL) is engaged in setting up of a 445 MW Natural Gas based Combined Cycle Power Plant at Devarapalli Village, Ravulapalem Mandal, East Godavari Dist, A.P. KEOPL's project has achieved substantial progress and is set to achieve commercial production during the current financial year. On Commencement of operation, KEOPL would be one of the lowest cost producer of "Electric Power" in the state of Andhra Pradesh.

M/s Bharat Alloys & Energy Ltd (BAEL) has commenced commercial operations of its 16 MVA Russian Arc Furnace for manufacture of Ferro Alloys & Allied Products at Kurnool, Andhra Pradesh with effect from January 2004. M/s BAEL declared a maiden dividend of 10% for the year 2003-04 which was received by the company during the under review. As the future of Ferro Alloys & Steel Industry appears bright and taking into account the expansion plans of BAEL, the company has further subscribed equity capital of BAEL during the year under review.



M/s Indo-American Hotels & Resorts Private Ltd is in the process of developing a 3 star Beach Resort & Spa in collaboration with Oberoi group of Hotels at Visakhapatnam. The said hotel project is expected to commence operations during financial year 2006-07.

PERSONNEL:

There are no employees, who have been paid remuneration / salaries and allowances during the year under review, exceeding the limits prescribed under Section 217(2A) of the Companies Act 1956. read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS :

Shri B. Gopala and Shri L.N. Sharma have joined the Board during the current year w.e.f. 1st June 2005 as additional directors of the company. The company is in receipt of a notice from a member under Section 257 of the companies Act, 1956 proposing to appoint Shri B. Gopala and Shri L.N. Sharma as directors of the company at the ensuing Annual General Meeting.

In accordance with provisions of Section 256 of the Companies Act. 1956 and clause 105-B of the Articles of Association of the company, Shri C. Madhusudan is liable to retire by rotation and being eligible, offers himself for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements under Section 217(2AA) of the Companies Act 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- (i) In the preparation of the annual accounts for the Financial year ended 31st March 2005, the applicable accounting standards have been followed along with proper explanation relating to material departure:
- (ii) The directors have adopted appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review:
- (iii) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities:
- (iv) The directors have prepared the accounts for the Financial year ended 31st March 2005 on a "going concern" basis.

DEMATERIALISATION OF SHARES:

Trading of securities of our Company has been made compulsorily in dematerialized form with effect from 30th April 2001 and are available for trading under both the Depository Systems in India - NSDL (National Securities Depository Limited) and CDSL (Central Depository Services Limited). Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE465D01011.

AUDITORS:

M/s Brahmayya & Co., Chartered Accountants retire as Auditors and being eligible offer themselves for reappointment. Board of Directors recommend for their re-appointment

ACKNOWLEDGEMENTS:

Your Directors place on record their appreciation for the support extended to the Company by its Shareholders and other business associates.

Place: Hyderabad
Date: 31.07.2005

For and on behalf of the Board of Directors
Sd/-
M. SRIMANI
Whole-time Director

Sd/-
CH.SRIHARI
Director