

ANNUAL REPORT 2005-2006

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CEEJAY FINANCE LIMITED



CEEJAY FINANCE LIMITED

13TH ANNUAL REPORT 2005-2006

BOARD OF DIRECTORS

HARSHAD DALAL

CHAIRMAN

DEEPAK PATEL

MANAGING DIRECTOR

KIRAN PATEL

DIRECTOR

SHAILESH PATEL

DIRECTOR

KIRITKUMAR DALAL

DIRECTOR

BHARAT AMIN

DIRECTOR

COMPANY SECRETARY

KAMLESH UPADHYAYA

STATUTORY AUDITORS

M/s. KANTILAL PATEL & CO.,

(A Member Firm of Polaris IA International, U.S.A.)

"PARITOSH", 2ND FLOOR,

USMANPURA, AHMEDABAD - 380 013.

INTERNAL AUDITORS

VIPINCHANDRA C. SHAH & CO.

133-134, SANTRAM SUPER MARKET,

NR. LAXMI CINEMA,

NADIAD-387 001.

BANKERS

BANK OF BARODA

UNION BANK OF INDIA

BANK OF PUNJAB LTD.

REGD. OFFICE

C. J. HOUSE,

MOTA PORE,

NADIAD-387 001.

CORPORATE OFFICE

9TH FLOOR, ABHIJIT-II,

MITHAKHALI SIX ROADS,

ELLISBRIDGE, AHMEDABAD-380 006.



CEEJAY FINANCE LIMITED

NOTICE

NOTICE is hereby given that the THIRTEENTH Annual General Meeting of CEEJAY FINANCE LIMITED will be held at C.J. House, Mota Pore, Nadiad on Saturday 30TH September, 2006 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive consider and adopt Balance sheet as at 31st March, 2006 and the Profit and Loss Account of the company for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To declare a dividend for the year ended 31st March, 2006..
3. To appoint a director in place of Shri Harshad Dalal who retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri Shailesh Patel who retire by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of section 257 and all other provisions if any of the Companies Act, 1956, Shri Kirtikumar S.Dalal be and is hereby appointed as a Director of the company, liable to retire by rotation.

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of section 257 and all other provisions if any of the Companies Act, 1956, Shri Bharatbhai M.Amin be and is hereby appointed as a Director of the company, liable to retire by rotation.

8. To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution.

RESOLVED THAT subject to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 and in pursuance to the provisions of Schedule XIII to the Companies Act, 1956, Mr. Deepak Patel, Director of the Company be and is hereby re-appointed as Managing director of the Company for a period of five years commencing on and from 1st September, 2006 to 31st August 2011 on the terms and conditions set out below.

RESOLVED FURTHER THAT the terms and conditions of remuneration of Mr. Deepak Patel as Managing Director shall be as follows:

1. **Salary:** Rs.50000 P.M.
2. **Perquisites:** Effective from 1st September, 2006.
 - I. Medical reimbursement for self and family
Actual expenses incurred by the appointee and his family. Family means spouse and dependent children.
 - II. Transportation
To provide car for office use, including cost of fuel, insurance and maintenance thereof.
 - III. Other perquisites:
To provide any other perquisites, benefits, amenities as applicable to senior management staff of the Company or as may be sanctioned by the Board to the appointee, from time to time.
The total perquisite value shall not exceed 2 months salary in each financial year. For the purpose of the above, the perquisites shall be valued as per income tax rules. In the absence of any such rules, the same shall be evaluated at actual cost.
Further the perquisites for the part of the year of service shall be computed proportionately.
3. **Incentive Scheme:**
The appointee shall also be eligible for special incentive as may be determined by the Board from time to time.



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PROVIDED THAT the total remuneration payable under 1, 2 and 3 above to the Managing director during his tenure as such shall not exceed the limit of 5% of the net profits of the Company for each financial year computed in the manner prescribed in Sections 349 and 350 read with Section 198 of the Companies Act, 1956

4. General :

The appointee shall also be eligible for the following, which shall be excluded from the total value of perquisites:

1. Contribution to provident fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
2. He shall be eligible for Gratuity at a half month's salary for each completed year of service
3. Encashment of leave as per Rules of the Company at the end of the tenure.
4. Provision of car for official use and provision of telephone at residence [including payment of local calls and long distance calls] shall not be reckoned as perquisites. However personal long distance call would be borne by the Managing Director.

5. Minimum Remuneration:

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits, the appointee shall be entitled to such minimum remuneration as determined in accordance with the overall limit as prescribed under the provisions of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 with the then applicable provisions of the Act, rules, schedules and regulations thereof."

**By order of the Board
For CEEJAY FINANCE LIMITED**

Registered Office

C.J. House, Mota Pore,
Nadiad – 387 001

Dated : 30th June, 2006

**Kamlesh Upadhyaya
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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of members and Share Transfer Books of the Company will be closed from Wednesday, 20th September 2006 to Saturday, 30th September, 2006(both days inclusive). Dividend if approved, will be paid to those members whose name appear in the register of member as on 19th September, 2006.
3. Trading in equity shares of the company through stock exchanges was made compulsory in dematerialized electric form. The company has entered into agreement with National Securities Depository Services (India) Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL). Shareholders can open the account with any of the Depository Participant registered with any of these Depositories.
4. Members are requested to send their queries at least 10 days before the date of meeting so that information can be made available at the meeting.
5. Unpaid / unclaimed dividends for period of seven years have been transferred to the Investors' education and protection fund pursuant to section 205 C of the Companies Act 1956. As such, no claim of the shareholder shall be entertained after that period. The Company has transferred to the Investors' Education and Protection fund unclaimed dividend upto year ended on 31st March, 1998.
6. The detailed profile of the proposed reappointed Directors / Managing Director is attached separately.



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Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

Item No. 6.

Mr.Kirit kumar S. Dalal was appointed as an Additional Director on 31-12-2005 pursuant to Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the company. As required under the Articles of Association and the Companies Act, 1956, he will vacate office at the ensuing Annual General Meeting.

The company has received Notice under Section 257 of the Companies Act, 1956 from a member signifying the intention to propose at the ensuing Annual General Meeting, the appointment of Mr. Kiritkumar S. Dalal as Director. Mr. Kiritkumar S. Dalal is 63 years of age. He is Graduate in Commerce, followed by LL.B. He was Ex-Chairman of Natpur Co-Operative Bank Limited, Nadiad. He is engaged in the business of tobacco since last 35 years. He holds 1500 equity shares of Rs.10/-each in the company. He is neither a Director nor a Member of committee in any other company.

Accordingly the Ordinary Resolution set out under Item No.6 of the Notice is submitted for the approval of the members. No Directors except Mr. Kiritkumar S. Dalal is interested in or concerned with this resolution.

Item No. 7.

Mr.Bharatbhai M. Amin was appointed as an Additional Director on 31-12-2005 pursuant to Section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the company. As required under the Articles of Association and the Companies Act, 1956, he will vacate office at the ensuing Annual General Meeting.

The company has received Notice under Section 257 of the Companies Act, 1956 from a member signifying the intention to propose at the ensuing Annual General Meeting, the appointment of Mr. Mr.Bharatbhai M. Amin as Director. Mr.Bharatbhai M. Amin is 50 years of age. He is Graduate in Commerce. He is leading Income Tax Practitioner since last 25 years.

He does not hold any shares in the company. He is neither a Director nor a member of committee in any other company. Accordingly the Ordinary Resolution set out under Item No.7 of the Notice is submitted for the approval of the members.

No Directors except Mr. Bharatbhai M. Amin is interested in or concerned with this resolution.

Item No. 8.

Mr. Deepak Patel is 45 years of age. He is a Graduate in commerce, followed by a course in Management in U.S.A. He has been acting as a Managing Director of the Ceejay Finance Limited since inception of the company.

In spite of keen competition in the field of finance and NBFC's, Mr. Deepak Patel has managed the company with stability and steady growth. After the amalgamation of Ceejay Finance Ltd with the erstwhile Heritage Packaging Ltd., he was appointed as a Managing Director for the period of five years w.e.f.1st September 2001 to 31st August 2006. Accordingly his tenure shall be expired on 31st August 2006. The Board of Directors considered it necessary and appropriate to re-appoint him as a Managing Director of the company from 1st September, 2006 to 31st August 2011.

The terms of remuneration of Mr. Deepak Patel are given in the resolution under item no.8 of the Notice.

As per requirements of scheduled XIII of the Companies Act,1956 the appointment and terms of remuneration of the Managing Director is required to be approved by the shareholders of the company. Accordingly the Ordinary Resolution set out under item no.8 of the notice is submitted for the approval of the members.

Mr. Deepak Patel holds 7285 shares in the Company.

Mr. Deepak Patel, Mr.Kiran Patel and Mr.Shailesh are interested in the resolution.

**By order of the Board
For CEEJAY FINANCE LIMITED**

Registered Office
C.J. House, Mota Pore,
Nadiad - 387 001
Dated : 30th June, 2006

Kamlesh Upadhyaya
Company Secretary



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DIRECTORS' REPORT

To,
THE MEMBERS OF
CEEJAY FINANCE LIMITED

Your Directors' here by present their THIRTEENTH Annual Report together with audited accounts of the company for the year ended 31st March 2006.

FINANCIAL RESULTS:

(Rs. in Lacs)

PARTICULARS	YEAR ENDED 31/03/2006	YEAR ENDED 31/03/2005
Total Income	606.77	688.24
Profit Before Depreciation & Tax	160.48	199.03
Depreciation	9.08	9.79
Profit before Tax	151.40	189.24
Provision for tax		
• Current	45.05	52.62
• Deferred	4.00	15.49
• Fringe Benefit Tax	1.32	NIL
Short Provision of Income Tax of earlier period	(0.63)	3.28
Profit After Tax	101.66	117.85
Balance of Profit brought forward	59.61	54.60
Profit available for Appropriation	161.27	172.45
APPROPRIATION		
• Proposed Dividend	34.50	34.50
• Corporate tax on Dividend	4.84	4.84
Transferred to		
• Statutory reserve	20.57	23.50
• General reserve	40.00	50.00
• Contingency Reserve	10.00	NIL
Balance Carried to Balance Sheet	51.36	59.61

DIVIDEND:

It has been remained the policy of the company to retain the profit of the company in order to conserve and strengthen the financial position of the company. However due to sufficient profit earned which enable the company to recommend dividend of 10% for the year ended 31st March 2006. This dividend shall be subject to tax on dividend to be paid by the company but will be tax free in the hands of the members.

OPERATIONS:

The company was able to register total income and net profit after tax of Rs.606.77 Lacks and 101.66 lacks respectively as against the last year of 688.24 Lacks and 117.85 Lacks showing marginal decline. This is mainly due to pressure in the rate of interest and consequently in the margin and volume of the business. The disbursement in the current year remained at Rs 2133 lacks compare to Rs.2730.06



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lacks in the previous year. The company has been able to maintain reasonable level of volume and higher yield mainly because of its strategy to focus its business in smaller places and concentration on two wheeler segment. The company has also commenced three wheeler and used two wheeler businesses at selected centers on trial basis. Hypothecation /loan stock of the company is Rs. 2242.80 lacks in the current year against Rs. 2526.18 lacks in the previous year.

The assets of the company are properly and adequately insured. Barring few centers, recoveries are at satisfactory level.

OUTLOOK ON OPPORTUNITIES:

The company has been facing severe competition from the Public and Private sector Banks, other Non-Banking Finance Companies and unorganized Moneylenders. The interest rate scenario in the coming days does not look favorable for the company as well as for the finance sector as a whole.

The company will continue with its strategy to grow and expand the business in semi urban and rural areas which are the key areas for the finance industry in recent days. As a part of its strategy to focus on retail finance in small segment, the company has also commenced the business of three wheeler and used two wheeler in selected centers on trial basis, over and above existing new two wheeler. The company will review and expand the above new business at other centers also.

Looking to the present economical scenario all over the world including India and inflationary pressure in the finance system, it seems that interest rate will take its journey to upward level. This may be beneficial to the company as the dependence of the company on the external borrowing is very less. However your company will take sufficient steps to overcome any negative consequences of the same.

MANAGEMENT DISCUSSION AND ANALYSIS :

India's GDP growth is expected at between 8% to 8.5% levels over the next few years. The inflationary situation does not look favorable in the current year. Interest rate, all over the world tends to go up. This will have definitely a major impact on the banking and financing industry. Upward interest rate may effect directly to the industry growth rate. However it may be benefited to smaller NBFC's, as banking rates are too competitive as of to-day to compete the smaller NBFC's.

The major area of operations of the Company is in retail lending through hire purchase / leasing / loan of commercial vehicles, automobiles, two/three wheelers and consumer durables. In the last few years, entry of commercial banks has focused on retail lending. As a result, which have advantage of lower cost of funds, are taking major share in retail financing and providing strong competition to NBFCs. Automobile industry has also started financing their own products. The revised rate of interest by larger banking industry will make the picture clear in coming months. While overall demand outlook for the year 2006-07 remains good, the company expects that there will be pressure on its margins on account of intense competition and lower interest rates offered by global players.

Looking to the above, thrust has been continued to develop rural and semi-urban areas to enable the Company to face less competition of the banking sector. Stress is also given on the retail financing as compared to four-wheeler automobiles.

Generally, NBFC's and Banking Sector is exposed to credit risk / liquidity risk arising from mismatch of tenure of funds borrowed and funds deployed. However, your company has taken suitable measures that such risks have been reduced substantially by availability of adequate funds from banking sector/ private funds and by following prudent financial policies. To minimize the risk of NPA and interest risks, your company is having strong and proven appraisal recovery systems.

A firm of chartered accountants carries out the internal audit function. The Audit Committee of the Board regularly reviews internal audit reports and the same is also reported to the Board as and when required.

The financial and operational performance of the Company and business review is discussed elsewhere in this report.



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The turnover ratio of the manpower has remained negligible since inception. The employee relations continue to be cordial at all branches of the company.

RESOURCE MOBILATION:

The success of the finance company depends on the effective and efficient mobility of funds and for this the company has raised short term low interest bearing fund of Rs. 600 lacks. The company has taken sufficient steps to cut the mobilization cost. The effective steps have also been taken to mobilize the resources at proper place and timing. The Bank limit has continued to remain at Rs. 975 lacs level.

CAPITAL ADEQUACY:

The revised Guidelines issued by R.B.I. for recognition of income, asset classification, Investment accounting, provision for non-performing assets and capital adequacy has been followed by your company. Based on above, the capital adequacy workout to 41.72% as on 31st March 2006 as against the minimum capital adequacy of 15% prescribed by R.B.I. The company has also made the provision for non performing assets in case of Sub-standard, doubtful and bad assets as per the guidelines and prudential norms issued by R.B.I.

FIXED DEPOSITS :

In spite of lowering the interest rates, the company's deposit scheme continued to be very well received. The Fixed Deposits of the Company remained as 462.86 Lacks. At the close of the year, deposits amounting to Rs. 4.07 lacks remained unclaimed or due to be renewed by 36 depositors. The company has sent reminders before the due dates to all depositors. The company does not have any claimed but unpaid deposits.

DIRECTORATE:

During the year Mr. Kanubhai Kalidas Patel and Mr. Vithalbhaj Ravjibhai Patel resigned to act as directors. Mr. Bharatbhaj Mahendrabhai Amin and Mr. Kiritkumar Sunderlal Dalal were appointed as additional directors of the company w.e.f. 31-12-2005 and who will act as the directors till the date of Annual General Meeting. Company has received notices u/s 257 of the Companies Act 1956 regarding appointment of Mr. Bharatbhaj Mahendrabhai Amin and Mr. Kiritkumar Sunderlal Dalal.

CORPORATE GOVERNANCE :

As per amended clause 49 of the listing agreement with stock exchanges your company was required to implement the new code of corporate Governance by 31st December, 2005 and accordingly your company has complied with provision of clause 49 of the listing agreement. A report on the same is given separately.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act 1956 the Directors confirm:

- (i) that in the Preparation of the Annual Accounts for the Financial Year ended 31st March 2006, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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) that 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 the fraud and other irregularities and
- (iv) That the Directors have prepared the Annual Accounts for the financial year ended 31st March, 2006 on a going concern Basis.



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LISTING AGREEMENT WITH STOCK EXCHANGES:

Pursuant to provisions of listing agreement with Stock Exchanges equity shares of the company are listed on Ahmedabad (regional) and Bombay Stock Exchanges.

DEPOSITORY SYSTEM:

The trading of equity shares has been made compulsorily in dematerialized form. In order to achieve this objective your company has established electronic connectivity with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The share holders of the company are therefore requested to get their shares in dematerialized form.

AUDITORS:

M/s., Kantilal Patel & Co. Chartered Accountants, Auditors of the company hold the office till the conclusion of the ensuing Annual General Meeting of the company and being eligible, offer themselves for reappointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

As the main Business of the company is of finance, the company has no activities relating to conservation of energy or technology absorption. The company has had no foreign exchange earnings or out goes during the year under review.

PARTICULARS OF EMPLOYEES:

There are no employees covered by section 217(2A) of the Companies Act, 1956 read with companies (Particulars of Employees) Rules, 1975 as amended.

ACKNOWLEDGEMENT:

The Directors would like to place record their sincere appreciation to all the employees of their continued effort towards the growth of the company and would also like to express their thanks to the Bankers, Shareholders and Fixed Depositors for their support and contribution which enabled the company to achieve its goals for the year.

FOR AND ON BEHALF OF THE BOARD

PLACE : NADIAD.

DATED : 30th June, 2006.

**HARSHAD DALAL
CHAIRMAN**



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CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company supports the broad principles of corporate governance. Given below is a report on corporate governance:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The company's philosophy on the corporate governance lays strong emphasis on transparency, accountability, full disclosure of material facts, independence of Board, integrity and fair play with all stake holders. The company will endeavor to constantly comply with and to continuously improve on the aspects with an overall view to earn trust and respect of the members, lenders and other stakeholders. All employees are guided by the company's policy on important issues, relationship with customers, shareholders and statutory authorities.

2. BOARD OF DIRECTORS :

The Board of directors of the company comprises six directors; out of them five are non-executive directors of which two are independent directors, and one executive director. Four Directors are promoter directors. The chairman of the Board is non-executive promoter director.

Mr. Harshad Dalal is appointed as a chairman of the company by the Board of Directors of the company.

During the year ended March 31st 2006, Six Board meetings were held on the following dates:

30-06-2005, 31-07-2005, 31-10-2005, 31-12-05, 31-01-2006, 31-03-2006

The constitution of the Board and other relevant details are given below:

Name of Director	Category	Directorship in other Co.	Membership in Board Committees of other co.	Attendance at Meetings	
				Board	Last A.G.M. 24-8-05
Mr. Harshad Dalal	Chairman / Non-Exe. / Promoter	3	—	6	Yes
Mr. Kiran Patel	Non-Exe. / Promoter	3	—	6	No
Mr. Deepak Patel	Executive / Promoter	3	—	6	Yes
Mr. Shailesh Patel	Non-Exe. / Promoter	2	—	6	Yes
Mr. Kiritkumar Dalal	Non-Exe. / Independent	Nil	—	2	NA
Mr. Bharatbhai Amin	Non-Exe. / Independent	Nil	—	2	NA

The information as required under Annexure I A to the clause 49 of the listing agreement is made available to the Board of Directors.

During the year Mr. Kiritkumar Dalal and Mr. Bharatbhai Amin were appointed as additional directors w.e.f. 31-12-2005. They are seeking re-appointment at the ensuing Annual General Meeting.

During the year Mr. Vithalbhai Patel and Mr. Kanubhai Patel resigned as a Director of the company w.e.f. 31-12-05. They have attended four Board/committee meetings.

3. COMMITTEES OF THE BOARD

The Board of Directors has constituted two committees of the Board viz.

- o Audit Committee
- o Investors Grievance Committee