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SUPPLEMENTARY ITEM OF THE AGENDA FOR THE FOURTEENTH ANNUAL GENERAL MEETING TO BE HELD ON MONDAY THE FOURTEENTH DAY OF SEPTEMBER, 1998 AT 11.00 A.M. AT G.D. BIRLA SABHAGAR, 29, ASHUTOSH CHOUDHURY AVENUE, CALCUTTA - 700 019.

To consider and, if thought fit, to pass the following Resolution, with or without any modification(s), which will be proposed as a Special Resolution:

RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 4(2) of the Articles of Association of the Company be and is hereby deleted and substituted by the following new Article as Article 4(2) of the Articles of Association of the Company, viz :

4(2)(i) The Preference Shares in the authorised capital of the Company (the said Preference Shares) may subject to the provisions of Section 80 of the Act be classified as Cumulative and or Convertible and or Redeemable Preference Shares, or any combination thereof carrying such rate of dividend as the Board may decide and which rate of dividend may vary for each series of Preference Shares, as may be decided at the time of issue thereof, and shall have the following rights, privileges and conditions attached thereto, that is to say :

- (i) The Preference Shares unless they are converted into Equity Shares shall confer upon the holders thereof the right out of the profits of the Company as determined under the Article of Association to a fixed cumulative preferential dividend at such rate per annum (subject to tax, if any) on the capital for the time being paid up thereon as may be decided by the Board at the time of each issue thereof and on winding up, to payment of such capital and all arrears of fixed dividend accrued upto the commencement of the winding up (whether earned or declared or not) in priority to the Equity Shares, but shall not confer the right to any further participation in profits or assets.
- (ii) Any or all the Preference Shares shall, if the Board so decides, give to the holders thereof an option to convert the same into Equity Shares by converting the entire face value of Rs. 100/- (Rupees One Hundred) each of the Preference Shares into such number of Equity Shares of Rs.10/- (Rupees Ten each) at par or at a premium after the expiry of such period as may be decided by the Board at any time from their respective dates of allotment of Preference Shares and on the conversion of Preference Shares into Equity Shares, the same will automatically stand redeemed. The Equity Shares allotted on conversion of the Preference Shares as above, shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respect with the then existing Equity Shares of the Company, but shall from the date of conversion rank for dividend pro-rata for the financial year during which the conversion takes place and when dividend, if any, is declared :
- (iii) On conversion as aforesaid of the Preference Shares into Equity Shares, the right to receive arrears of preference dividend, if any, on the Preference Shares upto the date of conversion, shall devolve on the holders of the Equity Shares on such conversion, and thereupon the holders of such Equity Shares from time to time shall be entitled to receive the arrears of preference dividend, if any, as and when the Company makes profits and is able to declare such dividend.
- (iv) On conversion of the Preference Shares into Equity Shares, the holder of such Preference Shares shall be bound to surrender to the Company, the certificate or certificates relating to the Preference Shares so converted, for exchange into the Equity Shares, to which he/she is entitled on such conversion.
- (v) Subject to the provision of the Act, and of any statutory modifications thereof for the time being in force, the Preference Shares which have not been converted into Equity Shares shall be redeemable in the manner following :
 - (a) The Company shall at any time before the expiry of twenty years from the date of such allotment, and after giving three months Notice to the holders of the Preference Shares apply any profits or monies of the Company which may be lawfully applied for the purpose of redemption of the whole or any part of the preference shares for the time being issued and outstanding, at par or such premium as the terms of issue provide and in case of Cumulative Preference Shares together with a sum equal to arrears of fixed dividend thereon (whether earned or declared or not) upto the date of redemption.
 - b) The preference shares to be redeemed on each occasion shall be determined by drawings to be made at such time and place and in such manner as the Directors may determine, but in the presence of at least one of the directors and a representative of the Auditors of the Company for the time being.

- c) Forthwith after every such drawing, the Company shall give to the holders of the shares drawn for redemption, notice in writing of the Company's intention to redeem the same and fixing a time (not less than three months ahead) and place for the redemption and surrender of the shares to be redeemed.
- d) At the time and place so fixed, each such holder shall be bound to surrender to the Company the certificate or certificates for shares to be redeemed and the Company shall pay to him the amount payable in respect of such redemption and where any such certificate comprise any shares which have not been drawn for redemption, the Company shall issue to the holder a fresh certificate thereof.
- e) The Company is to be at liberty from time to time to create and issue further Preference Shares ranking in all respects pari-passu with the Preference Shares.

II To consider and, if thought fit to pass the following Resolution, with or without any modification(s), which will be proposed as a Special Resolution :

RESOLVED THAT pursuant to Section 106 and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby given to the Board of Directors of the Company to give at any time an option to the existing holders of 24,99,000 13 per cent Cumulative Redeemable Preference Shares of Rs. 100/- (Rupees One Hundred) each to convert their Preference Shares into such number of Equity Shares of Rs. 10/- (Rupees Ten each) at par or at a premium as may be decided by the Board in conformity with the relevant provisions contained in that behalf in the Articles of Association of the Company and the Equity Shares allotted on conversion of the Preference Shares as above, shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the then existing Equity Shares of the Company, but shall from the date of conversion rank for dividend pro-rata for the financial year during which the conversion takes place and when dividend, if any, is declared.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEMS 1 & 3 OF THIS SUPPLEMENTARY NOTICE

Attention of the shareholders is invited to the resolution passed at the Annual General Meeting of the Company held on 29th August 1996 resolving the issue of the Preference Shares of an amount not exceeding Rs. 25,00,00,000 (Rupees Twenty Five Crores only) whether through rights issue, public issue, private placement, exchange of securities, conversion of loans or otherwise as stated in the said Resolution. Pursuant thereto, the Company had privately placed 24,99,000 13 per cent cumulative redeemable preference shares of Rs. 100/- each at par which are redeemable after the expiry of 5 years from the date of allotment which was 20th January, 1998.

The Reserve Bank of India has recently introduced new regulations governing the Non-Banking Financial Companies whereby the amount of deposits which the Company can raise is related to the Company's credit rating and its net owned funds. However, preference shares which are not convertible into equity shares are not eligible for consideration as net owned funds of the Company. With a view to augment the net owned funds of the Company, it is thought desirable in the interest of the Company to bring about the conversion of the said Preference Shares into Equity Shares and accordingly it is proposed to give an option to the holders of the Preference Shares to get their Preference Shares converted into Equity Shares.

In order to effectuate the above, it has been deemed necessary to amend the existing Article 4(2) of the Articles of Association of the Company in the manner set out in the Resolution referred to in Item 1 of the Supplementary Notice to conform to the existing provisions of law in this behalf. The resolution is proposed to be passed in view of the provisions contained in Section 106 of the Companies Act, 1956, in terms of which the rights attached to the shares of any class can be varied with the consent in writing of the holders of not less than three-fourth of the issued shares of that class or sanction of the special resolution passed at a separate meeting of the holders of the issued shares of that class if the provisions with respect to such variation is contained in the Memorandum and Article of Association of the Company or in the absence of any such provision, if such variation is not prohibited by the terms of the issue of that class.

Clause V of the Memorandum expressly authorises the modification of the rights attached to the said Preference Shares as may be permitted by the Companies Act, 1956 and in any event, the terms of the issue of the said Preference Shares do not prohibit such variation. Although such variation in respect of the right of the holders of the Preference Shares does not directly affect the rights of the Equity Shareholders, the resolution is proposed to be passed in the manner set out as above, by way of abundant caution. The resolution placed in the items of the Notice are accordingly commended to your acceptance.

Messrs R. K. Kaul, E.B. Desai, Directors and Mr. S. A. Krishnan, President, who are holding 1000, 5000 and 1000 Preference Shares respectively may be deemed to be interested in the Resolution.


**ANNEXURE
TO THE
DIRECTORS'
REPORT**
Particulars of Employees in Terms of 217 (2A) of the Companies Act, 1956

Name	Designation	Remuneration (Rs.)	Qualification & Total Service Experience (Yrs.)	Age (Yrs)	Date of Commence- ment of Employment	Last Employment held before Joining the Company	Designation
* A. Dubhashi	Vice President	760,766	B.Com.(Hons) A.C.A. (19 Yrs)	43	1-Feb-95	RPG Enterprises Limited	Vice President (Finance)
* Parag Samarth	General Manager (Container Leasing)	707,348	B.E. P.G.D.B.M. (12 Yrs)	37	24-Jul-95	Fujitsu ICIM Ltd.	General Manager
* Pinaki P. Roy	General Manager (Forex)	423,000	B.Sc. C.A.I.I.B. (16 Yrs)	42	6-Jan-95	Usha Martin Finance Corporation Ltd.	Asst. Vice President (Forex)
* K. Vinay Kumar	Manager (Business Development)	302,594	B.Sc (Engg) PGDM (Finance) (9 Yrs)	32	1-Jun-92	Mecon Limited	Assistant Design Engineer
Aniruddha Limaye	General Manager HRD	842,831	M.A. LL.B. (22 Yrs)	43	21-Aug-95	Consultant	-
A. V. Nerurkar	Sr. Manager Corporate Accounts	325,731	B.Com.(Hons) A.C.A. I.C.W.A. A.C.S. (20 Yrs)	44	1-Jan-96	CEAT Asset Management Limited	Company Secretary
Amarendra Nath Misra	Sr. Manager Law	412,169	B.A. LL.B.,MBA P.G.D.C.S. (11 Yrs)	34	6-Sep-95	Indo-Gulf Fertilisers & Chemical Corp. Limited	Head Law Department
B. Anant	Vice President (Marketing)	675,532	B.Sc. (Eng.) P.G.D.B.M. (18 Yrs)	43	5-Apr-95	Muscat Finance Company	Manager (Head Marketing)
B. D. Cardmaster	Company Secretary & General Manager Treasury	675,649	B.Com. (Hons) A.C.S. (17 Yrs)	41	27-Jan-92	Muscat Chaitra Advertising Pvt. Ltd.	Company Secretary
D. S. Angchekar	Advisor Forex & Money Mkt.	553,607	B.Com. (30 Yrs)	56	12-Aug-96	Reserve Bank Officers Co.Op. Credit Society	Manager & Chief Executive
Deepak Gupta	Sr. Manager (HRD)	423,374	B.Sc. P.G.D.P.M. LL.B. (11 Yrs)	33	7-Feb-95	Lazards Credit Capital Limited	Group Personnel Manager
Deepak Shandilya	Manager (Business Development)	317,901	B.E. (Mech) M.M.S. (Finance) (6 Yrs)	29	17-Jul-95	Libord Finance Ltd.	Vice President (MBD)
K. Joseph Thomas	Head (Money Market)	538,194	M.A. (13 Yrs)	36	1-Jan-96	Reserve Bank of India	Manager
L.B. Subrahmanyam	Sr. Manager (Systems)	347,570	M.Sc. (6 Yrs)	45	24-Jul-95	India Securities Ltd.	Dy. Manager (Systems)
Manish Bhandari	Regional Manager (West)	354,357	B.Com.(Hons) A.C.A. (10 Yrs)	31	1-Dec-94	Mangalore Refinery & Petrochemicals Limited	Deputy Manager

**ANNEXURE
TO THE
DIRECTORS'
REPORT**

Mukund Parthasarthy	Manager (Resource Mobilisation)	324,323	B.Com. D.P.M.I.R. (13 Yrs)	37	15-Mar-93	CEAT Limited	Dy. Manager (Finance/ Planning & Control)
P. A. Ranganathan	Senior Vice President	1,162,420	B.Sc. C.A.I.I.B. A.I.C.W.A. (Inter) (26 Yrs)	49	14-Mar-90	Andhra Bank	Senior Manager
P. S. Sankaran	Vice President	716,200	M.Com. (23 Yrs)	44	1-Aug-86	Philips Carbon Black Limited	Senior Executive
R. Vijayaraghavan	Head Internal Audit	450,962	B.Sc. A.C.A (10 Yrs)	40	6-Jan-97	Airfreight Limited	Projects Manager
Rajesh Relan	Regional Manager (North)	440,085	B.Com.(Hons) M.M.S. (9 Yrs)	30	22-Oct-90	Paper Products Limited	Executive Officer - Sales
R. Chandra Kurup	Deputy Company Secretary	407,260	B.Com.(Hons) A.C.S. & LL.B (19 Yrs)	43	9-Nov-95	Balmer Lawrie & Company Ltd.	Deputy Company Secretary
R.Ramanathan	Regional Manager (South)	396,100	B.Com. A.C.A. (8 Yrs)	32	1-Mar-93	South Asian Financial Exchange	Head Merchant Banking Division
R. Ganesh	Sr. Dealer (Forex)	377,515	M.Com. C.A., I.C.W.A (19 Yrs)	44	17-Feb-97	Shell Securities Limited	General Manager (Forex Division)
S. A. Krishnan	President	1,556,264	B.Com. LL.B. A.I.C.W.A. P.G.D.B.M. (30 Yrs)	53	7-Jul-89	Nagarjuna Finance Limited	President
U.P. Ravindranath	Head Commercial Vehicle Finance (WR)	596,824	M.A. (28 Yrs)	51	27-Sep-96	TATA Finance Limited	General Manager
Udayan Das Gupta	Sr. Manager/ Sr. Dealer (Forex)	349,240	B.Che. (24 Yrs)	47	16-Oct-95	Primacon	Chief Technical Analyst
V. Ramkrishnan	Sr. Manager (Treasury Operation)	397,935	B.Com. A.C.A (10 Yrs)	36	19-Oct-92	Autoriders India Limited	Chief Accountant

1. Remuneration has been calculated on the basis of Section 198 of the Companies Act, 1956, and includes expenditure by the Company on Salary, provision of benefits and contribution to Provident and Superannuation Funds.
2. The nature of employment in all cases is contractual.
3. None of the employees listed above is a relative of any of the Directors of the Company.
4. Asterisk indicates employment for a part of the year.

For and on behalf of the Board

Calcutta : 29th June, 1998

S. Goenka
Chairman

**DIRECTORS**

S. Goenka (Chairman)
 D. Khaitan
 E.A. Kshirsagar
 N.N. Kampani
 A.D. Cooper
 E.B. Desai
 R.K. Kaul
 S.S. Thakur
 S.K. Bajoria
 H.V. Goenka (Alternate to Mr. S.K. Bajoria)

PRESIDENT

S.A. Krishnan

COMPANY SECRETARY

B.D. Cardmaster

SOLICITORS

M/s Mulla & Mulla and Craigie, Blunt & Caroe

AUDITORS

Tarmaster & Co.
 Chartered Accountants

BANKERS

Bank of Baroda
 Bank of Rajasthan
 Dena Bank
 Deutsche Bank
 Dhanalakshmi Bank Ltd.
 Federal Bank Ltd.
 Indian Bank
 The Indusind Bank Ltd.
 Oriental Bank of Commerce
 State Bank of India
 State Bank of Travancore
 The Catholic Syrian Bank Ltd.
 The South Indian Bank Ltd.
 UTI Bank Ltd.
 Vijaya Bank

REGISTERED OFFICE

31, Netaji Subhas Road
 Calcutta-700 001

CORPORATE OFFICE

CEAT Mahal,
 463, Dr. Annie Besant Road, Worli,
 Mumbai 400 025

REGISTRAR

CFSL Investor Service Centre
 1, Allenby Road,
 Calcutta 700 020

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of **CEAT FINANCIAL SERVICES LIMITED** will be held at **G.D. BIRLA SABHAGAR, 29, ASHUTOSH CHOUDHURY AVENUE, CALCUTTA 700 019** on **Monday the 14th day of September, 1998** at **11.00 A.M.** to transact the following business.

Ordinary Business:

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31st March, 1998, the Balance Sheet as at that date and the reports of the Auditors and the Directors.
2. To confirm the interim dividend of Rs.11/- per share on 11% Redeemable Cumulative Preference Shares of Rs.100/- each paid for the year ended 31st March, 1998.
3. To declare a dividend on 13% Cumulative Redeemable Preference Shares for the year ended 31st March, 1998.
4. To declare a dividend on Equity Shares for the year ended 31st March, 1998.
5. To appoint a Director in place of Mr. S. Goenka who retires from office by rotation and, being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. E.A. Kshirsagar, who retires from office by rotation and, being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. R.K. Kaul, who retires from office by rotation and, being eligible, offers himself for re-appointment.
8. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

9. To consider and, if thought fit, to pass with or without modifications the following as a SPECIAL RESOLUTION :

“RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956 the Company hereby approve that the Register of Members and Debentureholders, indices, returns and copies of certificates and documents, be kept at the Company’s Investor Service Center at 1, Allenby Road, Calcutta-700 020 with immediate effect where the necessary registers, indices and returns as mentioned above shall remain open for inspection during business hours of the Company from 11.00 A.M. to 1.00 P.M. except Saturdays.”

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

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 (the said Act) and subject to the approval of the Central Government, in the event of it being required, the Company hereby approves of and confirms the appointment of Mr. S.A. Krishnan as Manager of the Company for a period of five years with effect from 1st April, 1998 and ending on 1st April, 2003, upon the terms and conditions set out in the agreement dated 30th June, 1998 and submitted to this meeting and approves the payment and providing of maximum remuneration as presently prescribed in Section I of Part II of the Schedule XIII annexed to the said Act and which agreement is hereby specifically sanctioned and approved.”

RESOLVED FURTHER THAT pursuant to the above mentioned provisions of the Companies Act, 1956 and in particular to Section 198 thereof and subject to the approval of the Central Government, if required, the remuneration aforesaid be paid and the perquisites be provided to Mr. S.A. Krishnan, as minimum remuneration in the event of loss or inadequacy of profits in any year, subject to such limits as may be prescribed in Section



II of the said Part II of the said Schedule XIII to the said Act, from time to time.

AND RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary or desirable to give effect to this resolution.”

11. To consider and if thought fit to pass with or without modifications the following as a **SPECIAL RESOLUTION**:
“RESOLVED THAT supplemental to the Special Resolution passed at the meeting of the shareholders of the Company held on 28th September, 1992 and pursuant to the provisions of Article 120(1) of the Articles of Association of the Company read with Section 309(4) of the Companies Act, 1956, the Company subject to all approvals that may be necessary hereby authorises payment to the Directors of the Company (other than the Managing Director or a Director in the wholetime employment of the Company) of a commission not exceeding 1% (one percent) of the net profits of the Company computed in the manner laid out in Section 309(5) of the Companies Act, 1956 and in such proportion as may be determined by the Board of Directors of the Company from time to time and, in default of such determination, in equal proportion for each of the five financial years commencing with the financial year 1997-98, in addition to the reimbursement of the expenses in terms of the Articles of Association of the Company. Provided that if the Directors at any time, so decide, in lieu of payment of commission during any year, the Directors who are not in the wholetime employment of the Company either as Managing Director or otherwise, be paid sitting fees at such a rate as may be allowed in accordance with the provisions of Section 310 of the above Act, for attending any meeting of the Board or the Committee thereof, provided always, that any Director receiving commission as aforesaid, shall not at the same time be paid any fees for attending a meeting of the Board or Committee thereof.”

By Order of the Board of Directors

S.A. KRISHNAN

President

Calcutta : dated 29th June, 1998

Registered Office : 31, Netaji Subhas Road, Calcutta 700 001

NOTES

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
2. Proxies in order to be valid and effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 10th September, 1998, to Monday, the 14th September, 1998 (both days inclusive).
4. All requests for transfer of shares and allied matters alongwith the relevant transfer deeds and/or share certificates should be sent to the Company's Investor Service Centre at 1, Allenby Road, Calcutta 700 020.
5. Members are requested to notify immediately any change in their address to the Company quoting their Folio Number, to ensure prompt receipt of dividend warrants, etc.
6. Shareholders desiring any information as regards the Accounts are requested to write to the Company at least seven days in advance of the date of Annual General Meeting so as to enable the information to be kept ready.
7. Dividend, if declared, will be paid, on or before the 23rd day of October, 1998 to those members whose names appear on the Register of Members at the close of working hours of the Company on 14th September, 1998. Dividend, if declared, will be payable pro-rata for the period which they were made fully paid up.
8. Due to the prohibitive cost of paper and printing, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of the Annual Report with them for the meeting.
9. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends and including dividends paid upto the Financial Year ended 31.3.1994 have been transferred to the General Revenue Account of the Central Government. Concerned shareholders are requested to claim the amount from the Registrar of Companies, West Bengal, Calcutta.