



DIRECTORS

B.C. Malu
E.A. Kshirsagar
N.N. Kampani
A.D. Cooper
E.B. Desai
S.S. Thakur
O.P. Malhotra

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 Ltd.
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

**NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of **CEAT FINANCIAL SERVICES LIMITED** will be held at the Mini Auditorium, Science City, JBS Haldane Avenue, Calcutta 700 016 on Friday the 10th day of March 2000 at 4.45 P.M. to transact with or without modifications, as may be permissible, the following business:

Ordinary Business :

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 30th September, 1999, the Balance Sheet as at that date and the reports of the Auditors and the Directors thereon.
2. To appoint a director in place of Mr. N. N. Kampani, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. S. S. Thakur who retires from office by rotation and being eligible offers himself for re-appointment.
4. 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

5. To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. B. C. Malu (who was appointed by the Board of Directors as an additional director of the Company pursuant to Article 116 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956, only up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing together with requisite deposit under Section 257 of the Companies Act, 1956, from a member expressing his intention to propose him as a candidate for the office of Director) be and is hereby appointed as a Director of the Company liable to retire by rotation.

6. To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. O. P. Malhotra (who was appointed by the Board of Directors as an additional director of the Company pursuant to Article 116 of the Articles of Association of the Company and who holds office under the said Article and Section 260 of the Companies Act, 1956, only up to the date of this Annual General Meeting and in respect of whom, the Company has received a notice in writing together with requisite deposit under Section 257 of the Companies Act, 1956, from a member expressing his intention to propose him as a candidate for the office of Director) 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 the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 the Authorized Share Capital of the Company be and is hereby increased from Rs.75,00,00,000 (Rupees Seventy five crore only) divided into 4,99,50,000 (Four crore ninety nine lakh fifty thousand) Equity Shares of Rs.10/- (Rupees Ten only) each and 25,05,000 (Twenty five lakh five thousand) Redeemable Preference Shares of Rs.100/- each to Rs.220,00,00,000 (Rupees Two hundred and twenty crore only) divided into 19,49,50,000 (Nineteen crore forty nine lakh fifty thousand) Equity Shares of Rs.10/- (Rupees Ten only) each and 25,05,000 (Twenty five lakh five thousand) Redeemable Preference Shares of Rs.100/- each by the creation of 14,50,00,000 (Fourteen crore fifty lakh) new Equity Shares of Rs.10/- and consequently the existing Clause V of the Memorandum of Association of the Company relating to Share Capital be and is hereby altered by deleting the same and substituting in place and stead thereof, the following as new Clause V of Memorandum of Association of the Company viz.

"The Authorised Share Capital of the Company is Rs.220,00,00,000 (Rupees Two hundred twenty crore only) divided in 19,49,50,000 (Nineteen crore forty nine lakh fifty thousand) Equity Shares of Rs.10/- (Rupees Ten only) each and 25,05,000 (Twenty five lakhs five thousand) Redeemable Preference Shares of Rs.100/- each with the rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being with power to increase or reduce the capital of the Company and to divide and sub-divide shares into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be provided by the Articles of Association of the Company for the time being".

8. To consider and, if thought fit, to pass, the following resolution as a Special Resolution :

"RESOLVED THAT in partial modification of the resolution passed by the Members at the Fourteenth Annual General Meeting of the Company held on 14 September 1998 and pursuant to the provisions of Sections 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government in this regard, the excess remuneration paid/payable to Mr. S. A. Krishnan, who held the office of Manager of the Company for the period from 1st April 1998 to 31st July 1999 in terms of the agreement dated 30th June 1998 entered into between Mr. S.A. Krishnan and the Company be paid as explained in the Explanatory Statement attached to this Notice be paid as minimum remuneration in view of the loss incurred by the Company for the period ended 30th September 1999.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary, expedient or desirable to give effect to this resolution."

By Order of the Board

B.D. CARDMASTER
Company Secretary

Mumbai : Dated 30th December 1999

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

CEAT FINANCIAL SERVICES LTD.**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.**
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.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at this Annual General Meeting is attached.
3. Members are requested to notify immediately any change in their address to the Company quoting their Folio Number to ensure prompt receipt of communication from the Company. Shareholders who have not furnished their PIN CODE numbers are requested to furnish the same immediately.
4. 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 the Annual General Meeting so as to enable the information to be kept ready.
5. Due to 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.
6. Pursuant to Section 205A of the Companies Act, 1956 dividends for the financial year ended 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 1996 or any subsequent financial year are requested to make their claim to the Investor Service Centre of the Company. All unpaid/unclaimed dividends paid upto the financial year 31.03.1995 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.
7. Individual shareholders can now avail of the facility of nomination. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of the shares/debentures shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the Guardian is given in the Nomination Form. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. Members desirous of making a nomination in respect of their shareholdings in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit the prescribed Form 2B for this purpose to the Company.
8. The Company has listed its shares at: (a) The Calcutta Stock Exchange (b) The National Stock Exchange (c) The Mumbai Stock Exchange. The listing fee for these Exchanges has been paid.

ANNEXURE TO THE NOTICE**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956
Items 5 & 6**

The Board of Directors of the Company have appointed Mr. B. C. Malu and Mr. O. P. Malhotra as additional directors of the Company on the Board pursuant to Articles 116 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. In terms of the applicable provisions of the Act and the said Article, their term of office expires at the ensuing Annual General Meeting.

The Company has received a notice from a member together with requisite deposit, signifying his intention to propose Mr. Malu's and Mr. Malhotra's name as candidates for the office of Director of the Company. Your directors recommend the resolutions for your approval.

Mr. B. C. Malu is a Chartered Accountant and Mr. O. P. Malhotra is a Chemical Engineer. They have over 35 years of corporate experience and also on the boards of several companies.

Considering their background and experience in Industrial Circles the Board feels it beneficial for the Company to avail of their services as Directors of the Company. Mr. B. C. Malu and Mr. O. P. Malhotra are concerned or interested in the resolutions pertaining to them.

Item 7

The present Authorized Share Capital of the Company is Rs. 75,00,00,000/-. In view of the requirements of the Company, it is proposed to raise capital by issue of Right Shares. Since sufficient amount is not available from the existing Capital, it is proposed to increase the Authorized Share Capital to Rs. 220,00,00,000/- in the manner as set out in the accompanying Notice. The Board of Directors at their recent Meeting proposed an issue to Right Shares in the ratio of four Equity Shares for every Share held in the Company on the record date.

The special Resolution under this Item proposed for this purpose seeks to achieve this and also for the consequent change in Clause V of the Memorandum of Association. Your Directors accordingly recommend the Resolution for your approval.

A copy of the Memorandum and Articles of Association of the Company reflecting the alterations as per the Resolution is available for inspection at the Registered Office of the Company during business hours on any working day (except Saturdays, Sundays, and Bank Holidays) upto the date of the ensuing Annual General Meeting of the Company.

Item 8

Members of the Company had at the Fourteenth Annual General Meeting approved the reappointment of Mr. S.A. Krishnan as the Manager of the Company under Section 387 of the Companies Act 1956, for a period of five years with effect from 1st April 1998 and also for payment of minimum remuneration as per the limits in that behalf prescribed in Schedule XIII Part II of the Companies Act, 1956. Mr. Krishnan resigned from the services of the Company with effect from 1st August 1999. Due to the losses suffered by the Company for the 18 months period ended 30th September 1999 which were not expected and due to the payments made and terminal payments payable to Mr. Krishnan on his resignation the remuneration payable to Mr. Krishnan exceeds the aforesaid limits mentioned above and as sanctioned by the Members in the Fourteenth Annual General Meeting.

Under the relevant provisions of Schedule XIII, the maximum remuneration that could be paid to Mr. Krishnan would be Rs. 29,08,126 inclusive of all perquisites by way of

- a. Contribution to Provident Fund, Superannuation Fund and for Annuity;
- b. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and;
- c. Encashment of leave at the end of tenure.

However, in terms of his agreement with the Company approved at the general meeting the remuneration works out to Rs. 51,85,358 inclusive of above perquisites. Mr. Krishnan has already been paid whilst he was in the service of the Company, a total remuneration of Rs. 37,61,181 inclusive of above perquisites and it is for the payment of the excess amounting to Rs. 14,24,177 that your approval and that of Central Government are required in the matter. Approval of the Members is now being sought for payment of excess remuneration to Mr. Krishnan as the minimum remuneration payable. Approval of the Central Government will also be required in the matter. Your directors recommend the resolution for your approval. A copy of the Agreement dated 30th June 1998 is open for inspection at the Registered Office of the Company between 10 a.m. and 1 p.m. on all working days except Saturdays, Sundays and Bank Holidays till the date of the ensuing Annual General Meeting.



DIRECTORS' REPORT

The Directors present their Fifteenth Annual Report and Audited Statement of Accounts for the eighteen month period ended 30th September, 1999.

1. FINANCIAL RESULTS (Rs. in crores)

	For the period ended 30/09/99 (18 months)	For the year ended 31/03/98 (12 months)
Gross Income	204.46	161.19
Less: Expenditure	(174.00)	(100.71)
Gross Profit before Depreciation & Tax	30.46	60.48
Less: Depreciation	(47.93)	(37.58)
Profit/ Loss before Tax and Provisions	(17.47)	22.90
Write offs/Provision against doubtful and irrecoverable debts and Diminution/loss in value of Investments	(78.12)	(7.10)
Profit/ Loss before Tax	(95.59)	15.80
Less: Provision for Tax	—	1.66
Profit/ Loss after Tax	(95.59)	14.14
Add/ Deduct: Balance brought forward from earlier years	6.13	6.63
Amount available for appropriation	(89.46)	20.77

APPROPRIATIONS

Dividend	—	6.17
Tax on Dividend	—	0.62
Reserves	—	7.85
Balance carried to Balance Sheet	(89.46)	6.13

2. DIVIDEND

In view of the loss reported by the Company, the Directors have not recommended any dividend on the Preference Shares or the Equity Shares (Previous Year: Preference - 13%; Equity- 20%).

3. ENVIRONMENT

The period under review was a difficult one for the industrial sector. Recession in the economy continued for the third successive fiscal year. The recession affected the performance of several players in the industrial sector adversely and they in turn delayed and defaulted in their payment to their lenders i.e. financial institutions, banks and non banking financial companies (NBFCs). At the same time, NBFCs faced severe pressure on their funding sources due to the reluctance of banks, financial institutions and depositors to continue with their exposure to NBFCs due to the well publicised failures of a few NBFCs. The tax incentives given by the Finance Act 1999 to the Mutual Fund industry also led to a dramatic shift in investor preference from NBFC fixed deposits to Mutual Funds. The resultant forced shrinkage on the liability side of the balance sheet of NBFCs coupled with the inability to recover dues from borrowers caused serious financial problems for even the hitherto healthy NBFCs.

4. OPERATIONS

Your Company was no exception to the general trend described above. However, the Company has taken cognisance of the deteriorating business conditions and has taken several strategic decisions to safeguard the interests of the Company, its shareholders and depositors.

Firstly, it has decided to stop taking long term exposures to corporates in its lease/ hire purchase portfolio and has instead been concentrating on curtailing such assets and reducing its risks. With lower disbursements, the gross income has fallen on an annualised basis by 15%. However, there has not been a proportionate drop in interest expenditure. This has resulted in the Gross Profit dropping for the 18 months period under review to Rs.30.46 crores from Rs.60.48 crores in 1997-98. After the provision for depreciation of Rs.47.93 crores (Previous

CEAT FINANCIAL SERVICES LTD.

Year Rs.37.58 crores) and provision against bad/ doubtful debts and loss/ diminution in value of investments of Rs.78.12 crores (Previous Year Rs.7.10 crores) the loss for the period is Rs.95.59 crores (Previous Year Rs.15.80 crores profit).

Secondly, the Company has been following up aggressively on the recovery front and has created a task force to concentrate on collections through persuasions, arbitration and legal proceedings. However, due to the legal processes involved, it is expected that positive results will occur only over a period of time.

Thirdly, the Company has begun the exercise of cleaning up its asset portfolio and has decided to provide substantially (Rs.78.12 crores) against the doubtful and irrecoverable debts and diminution/ loss in value of investments. It will continue to be aggressive in this regard in the next couple of years with a view to have a completely healthy balance sheet.

Fourthly, in order to reduce its dependence on the short term costly Fixed Deposits, the Company consciously decelerated FD mobilisation during the year and has stopped renewing/ taking new FDs altogether with effect from October 1999. The Company therefore expects to improve the asset liability mismatch in coming months.

Fifthly, the Company has refocused on its two successful activities - Primary Dealership and credit to Small Office Home Office sector. The money market division of the Company was upgraded by RBI from a Satellite Dealer to a Primary Dealer, being among the first few private sector companies to be so recognised. The activity has shaped up well in the last few months and is expected to be a thrust area for the Company in the future. The Company also continued with the activities of container and infrastructure financing as well as office credit under the brand Ceat Office Credit and entered into an agreement for financing equipment sold by Intel dealers under the brand Intel Financial Services.

In view of poor market conditions and in order to reduce costs, the Company discontinued the activities of Merchant Banking, Foreign Exchange Advisory/Management Services and Equity Research. The new thrust areas will now be derived from its profitable and core activities (such as extension of primary dealership into debt mutual fund) for which aggressive search for a strategic partner is underway, and from I.T. enabled financial services.

The Company is one of the few NBFCs in India to which IFC, Washington has a direct exposure. IFC's line of credit of \$ 20 million was fully drawn down in March 1999, which has enabled the Company to diversify its funding sources and to obtain debt funds with a long repayment period. The Company is thankful to IFC, Washington and to its bankers for their much valued support in this trying period.

5. RESOURCE RAISING

The Company has been under pressure during the period to raise resources mainly on account of delays and defaults from corporates, shift in the preference of investments by individuals away from fixed deposits of NBFCs and lack of further funding from banks and financial institutions. This resulted in the Company at times not being able to make timely repayment of fixed deposits. The Company remains committed to meet all its FD liabilities.

As mentioned earlier, the Company has decided to reduce the fixed deposit liability and during the period of 18 months has reduced the fixed deposit level from Rs.317.83 crores on 31st March, 1998 to Rs.243.67 crores on 30th September, 1999. 18,201 deposits amounting to Rs.25.23 crores had matured and remained unclaimed/unpaid as on the date of the Balance Sheet. The Company has taken necessary steps of communicating with depositors regularly to keep them informed of all developments and to keep them reassured of the repayments with interest.

6. ADDITIONAL CAPITAL

In view of the difficult period the Company has passed through and the provisioning made for doubtful and irrecoverable debts and diminution/ loss in value of investments, your Directors have recommended that the Company be re-capitalised by way of rights with paid up value of Rs. 110.94 crs., issued in the ratio of four equity shares for every equity share held. The promoters continue to be fully supportive of the Company and have already advanced Rs. 57.50 crores to enable the Company to meet its financial commitments. It is proposed that these funds be treated as advance by the Promoters against their contribution to the proposed Rights issue of Equity.

7. Y2K (COMPLIANCE)

The Company has been certified as being Y2K compliant by Siemens Information Technologies Ltd. The Company continues to have in place adequate contingency plans to ensure that there are no disruptions in business due to the Y2K phenomenon.

8. DIRECTORS

Messrs S. Goenka, H.V. Goenka, D. Khaitan, S.K. Bajoria and R.K. Kaul resigned from the Board of Directors with effect from 29.4.1999, 3.5.1999, 29.7.1999, 24.9.1999 and 25.10.99 respectively. Your Directors would like to record their appreciation of the services rendered by the aforesaid Directors.

Messrs B.C. Malu and O.P. Malhotra were appointed as Additional Directors of the Company on 29.7.1999 and they vacate their offices at the ensuing Annual General Meeting. Pursuant to Section 257 of the Companies Act, 1956 the Company has received notices together with requisite deposits from a shareholder signifying his intention to propose their names for appointment as Directors of the Company at the ensuing Annual General Meeting.

Messrs N.N. Kampani and S.S. Thakur retire by rotation and being eligible, offer themselves for re-election.



9. NOTES ON ACCOUNTS : REMUNERATION TO MR. S. A. KRISHNAN

Mr. S.A. Krishnan was reappointed as the Manager of the Company in 1998. The minimum remuneration payable to Mr. S.A. Krishnan was decided as per the limit prescribed in Schedule XIII Part II of the Companies Act, 1956. Mr. Krishnan resigned from the services of the Company effective 15th August 1999. Due to the loss sustained by the Company for the period ended 30th September 1999, the amounts paid and the terminal amounts payable are in excess of this limit. The Board has recommended to the Shareholders that the amounts agreed to be paid to Mr. Krishnan be treated as the minimum remuneration and approval of the Central Government also be taken.

Regarding the Auditors' comments raised in Paragraph 5 of their report, the Directors draw your attention to Note 7 in the Schedule 11 forming part of the account.

The observations made by the Auditors should be read together with the Note referred to which is self explanatory.

10. PARTICULARS OF EMPLOYEES

Particulars of Employees as required by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 have been given as annexure to the Report and form part of it. However, as permitted, the Annual Report is being sent to all shareholders of the Company, excluding the aforesaid annexure. Any shareholder interested in obtaining the same, may write to the Company Secretary at the Corporate Office of the Company.

11. SUBSIDIARIES

The Audited Accounts of Secura Capital Markets Limited and Ceat Finance (Mauritius) Limited as of March 31, 1999 and June 30, 1999 respectively together with the Reports of the Directors and Auditors are attached.

12. CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

During the period under review, your Company has not consumed energy of any significant level and, therefore, there was not much scope for taking any measures for energy conservation and for making any additional investment for reduction of energy consumption. No comment is made on technology absorption considering the nature of activities of your Company.

There was an outgo of Rs.588.60 lakhs (previous year Rs.693.96 lakhs) in foreign exchange during the period under review. The Company had no earnings in foreign exchange.

13. AUDITORS

Messrs. Tarmaster & Co., Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

14. ACKNOWLEDGMENT

The Directors wish to thank the Company's Customers, Shareholders, Bankers, Depositors, International Finance Corporation and Financial Institutions for the support extended to it. The Directors also thank the employees for their contribution to the Company's operations.

For and on behalf of the Board

B. C. Malu
Director

O.P. Malhotra
Director

Mumbai
Date: 30th December 1999

CEAT FINANCIAL SERVICES LTD.**AUDITORS' REPORT**

We have audited the attached Balance Sheet of CEAT FINANCIAL SERVICES LIMITED, as at 30th September, 1999 and the Profit and Loss Account for the period ended on that date, annexed thereto and report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
3. In our opinion, the Balance Sheet and Profit & Loss Account referred to herein, comply with the Accounting Standards referred to in Sec. 211(3c) of the Companies Act, 1956.
4. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon subject to excess managerial remuneration paid (refer note no.7) give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
- a. In the case of the Balance Sheet, of the state of affairs of the company as at 30th September, 1999
and
- b. In the case of the Profit and Loss Account, of the Loss for the period ended on that date.

As required by the Manufacturing and other Companies (Auditor's Report) order, 1988 issued by the Central Government and on the basis of such checks as we consider appropriate, we further report that:

- i) The company has maintained proper records to show full particulars, including quantitative details and situation of the said assets. The fixed assets of the company excluding those leased out have been physically verified by the Management during the year. In respect of fixed assets leased out, these have been physically verified/confirmation obtained by the Management during the period other than suit filed cases. No discrepancies between book records and physical verification were noticed.
- (ii) None of the fixed assets have been revalued during the period.
- (iii) The Stock of Shares and Securities of the Company have been physically verified by the Management during the period. In our opinion, the frequency of verification is reasonable.
- (iv) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock of shares and securities followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (v) In our opinion and on the basis of our examination, the valuation of stock of shares and securities is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
- (vi) The company has not taken any loans from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from the Companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
- (vii) The Company has not granted any loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to the Companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
- (viii) The parties to whom loans and advances in the nature of loans have been granted by the company are generally repaying the principal amounts as stipulated or restipulated and are also generally regular in the payment of interest, wherever applicable. In cases where instalment of principal and/or interest are not received regularly, as explained, the steps as considered necessary having regard to the operations of the borrowers and overall objective of the Company, are taken from time to time. The steps taken for recovery includes restructuring of loans and various legal and other measures.
- (ix) In our opinion and according to the information and explanation given to us during the course of the audit, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of plant and machinery, equipment and other assets.
- (x) No transactions of purchase of goods and materials and sale of goods, materials and services were made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 as aggregating during the year to Rs. 50,000 or more in respect of each party.
- (xi) The Company has accepted fixed deposits and has complied with other provision of section 58A of the Companies Act, 1956 and the Rules made thereunder, the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.
- (xii) The Company has an internal audit system, which is broadly commensurate with its size and the nature of its business except that the extent of coverage needs to be more exhaustive.
- (xiii) The Company is regular in depositing Provident Fund dues with the appropriate authority.
- (xiv) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax and Sales Tax outstanding for a period of more than six months as at 30th September, 1999.
- (xv) In our opinion and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xvi) Proper records have been maintained by the company for the transactions relating to trading in shares, securities, debentures and other investments and timely entries have been made therein. Investments on hand are in the name of the Company or in the process of transfer to the Company.
- (xvii) Other matters of the aforesaid order are not applicable to this company.

For TARMASER & Co.
Chartered Accountants

Place : Calcutta
Date : 30th December, 1999

R.P. Nandy
Partner

**BALANCE SHEET AS AT 30TH SEPTEMBER, 1999**

	Schedule	As at 30.9.99 (Rs. Lakhs)	As at 31.3.98 (Rs. Lakhs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	5,268.04	5,268.14
Reserves and Surplus	2	6,366.14	6,979.42
		<u>11,634.18</u>	<u>12,247.56</u>
Advance against Equity Shares from Promoters (See Note No. 16)		5,750.00	—
		<u>17,384.18</u>	<u>12,247.56</u>
Loan Funds	3		
Secured Loans		37,039.87	18,060.82
Unsecured Loans		30,614.33	32,660.99
Total		<u><u>85,038.38</u></u>	<u><u>62,969.37</u></u>
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		31,251.32	30,570.85
Less: Depreciation		15,947.78	11,971.71
Add : Lease Terminal Adjustment Account		1,253.45	1,780.20
Net Block		<u>16,556.99</u>	<u>20,379.34</u>
Investments	5	5,530.59	6,377.74
CURRENT ASSETS, LOANS AND ADVANCES	6		
Current Assets		39,351.00	29,215.59
Loans and Advances		22,795.16	21,611.24
		<u>62,146.16</u>	<u>50,826.83</u>
Less: CURRENT LIABILITIES & PROVISIONS	7		
Current Liabilities		8,196.67	13,849.03
Provisions		—	844.71
		<u>8,196.67</u>	<u>14,693.73</u>
Net Current Assets		<u>53,949.49</u>	<u>36,133.09</u>
PROFIT & LOSS ACCOUNT		<u>8,945.87</u>	
Miscellaneous Expenditure (to the extent not written off or adjusted)		55.44	79.20
Total		<u><u>85,038.38</u></u>	<u><u>62,969.37</u></u>
Notes on Accounts	11		

As per our Report attached
For TARMASER & Co.
Chartered Accountants

R.P. NANDY
Partner
Calcutta : 30th December, 1999

B.D. CARDMASTER
Company Secretary

B. C. MALU
Director

O. P. MALHOTRA
Director
Mumbai : 30th December, 1999