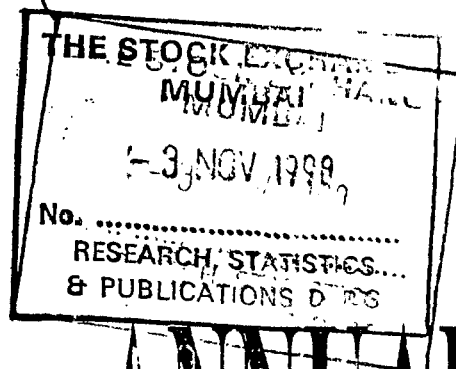


EIGHTH

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ANNUAL REPORT 1997-98

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DHARANI FINANCE LIMITED



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**BOARD OF DIRECTORS**

Chairman	:	Dr. Palani G Periasamy
Vice Chairman	:	Mr. R Natarajan
Directors	:	Mr. R K Viswanathan Justice (Retd) S Sivasubramaniam Dr. Ram Mohan Rao Mrs. Visalakshi Periasamy
Managing Director	:	Mr. K Kandasamy
Company Secretary	:	Mr. N Subramanian
Auditors	:	M/s. K Ramkrish & Co., 9 A Bagavantham Street T Nagar, Chennai 600 017
Bankers	:	Indian Bank, Chennai - 600 001.
Registered Office	:	No.1, Venus Colony Second Street, Alwarpet, Chennai 600 018.
Administrative Office	:	"PGP House", No.57, Sterling Road, Nungambakkam, Chennai 600 034.



DHARANI FINANCE LIMITED

BRANCHES

S.No.	Place	Address
1.	CHENNAI	3/34 Anna Salai Near Anna Statue Chennai 600 002.
2.	DHARANI NAGAR	Vasudevanallur Dharani Nagar 627 760 Tirunelveli Dist.
3.	NAMAKKAL	Ram Buildings 145 D, Trichy Road Namakkal 637 001
4.	ERODE	150/151, E V Nanjappa Road (Mettur Road) Erode 638 011
5.	TRICHY	11 B/3, Sastri Road, 1st Floor, Tennur Trichy 620 017
6.	PONDICHERRY	251, Big Mission Street Pondicherry 605 001
7.	MADURAI	113 B, West Perumal Maistry St. Madurai 625 001.
8.	COIMBATORE	No.10 Arokiasamy Road, R S Puram Coimbatore - 641 002.
9.	SALEM	Sri Santham Complex Annexe 135 Sarada College Road I Floor Salem 636 004
10.	TIRUNELVELI	182-E-24, S N High Road Tirunelveli 627 001
11.	THIRUVANNAMALAI	I Floor 6C Big Street Thiruvannamalai - 606 601
12.	GOBICHETTIPALAYAM	21, Sathi Main Road Opp. Rountana Gobichettipalayam 638 452

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the EIGHTH ANNUAL GENERAL MEETING of the members of the Company will be held at Sathguru Gnanananda Hall, Narada Gana Sabha, No.254 T.T.K. Road, Alwarpet, Chennai 600 018 on the **4th November, 1998, Wednesday at 11.00 A.M.** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 1998 and the Profit and Loss Account for the extended year ended on that date and the Reports of the Directors and Auditors.

2. To appoint a Director in place of Mr.R.K. Viswanathan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mrs. Visalakshi Periasamy who retires by rotation and being eligible offers herself for reappointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

By order of the Board

PLACE : CHENNAI
DATE : 16.09.98

N SUBRAMANIAN
COMPANY SECRETARY

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member.**

The proxy form in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 2nd November to 4th November, 1998 both days inclusive.
3. Members/Proxy holders must bring the Attendance slip duly signed to the meeting and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted.
4. Members are requested to quote their Registered Folio number in all correspondence with the Company and notify the Company immediately of change, if any, in the Registered Address and/or of their mandatees.

5. Members who are holding shares in more than one folio are requested to intimate to the Secretarial Division the details of all their folio numbers for consolidation into a single folio.
6. All documents referred to in the above notice are open for inspection at the Registered Office of the Company between 2.00 P.M. and 4.00 P.M. on any working day.
7. Pursuant to Section 205A(5) of the Companies Act, 1956, all dividends upto the financial year ended 31st March 1994, which remained unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies, Tamil Nadu, Shastri Bhavan, II Floor, No.26 Haddows Road, Chennai - 600 006. In case any assistance is required, please write to the registered office of the Company.
8. Members are requested to bring their copies of the Annual Report to the Meeting.

By order of the Board

PLACE : CHENNAI
DATE : 16.09.98

N SUBRAMANIAN
COMPANY SECRETARY

**DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present the 8th Annual Report and the Audited Accounts of the Company for the year ended 30th June 1998. The year 1997-98 reflected a definite slowdown in the industrial growth and the economy of the country. Against a projected growth of 7.5%, the actual has come down below 5%. The conditions in the capital market were also unfavourable. There was a great pressure on the bottom line of all the companies. A majority of the NBFCs had suffered a severe set back in their volume of operations. Your Company is no exception from this trend. The new directives issued by RBI in January '98 severely restricted the Company's operations by virtually stopping the inflow of public deposits.

For better presentation and for convenience in accounting, the financial year of the Company was changed from April '97 - March '98 to April '97 to June '98. This will mean that financial year from next year onwards will be from 1st July to 30th June of next year. As a result of this change during the current year the accounts reflect transactions for a period of 15 months i.e. from April '97 to June '98.

Total income due to operations was Rs.454.11 lakhs as against in the previous year Rs.465.03 lakhs. The gross profit had come down from Rs.190.55 lakhs to Rs.86.08 lakhs. Due to slightly increased provision towards depreciation of Rs.82.42 lakhs, the net profit has come down to Rs.3.66 lakhs. The financial results are given in brief below.

FINANCIAL RESULTS

	Period ended 30.06.98	Year ended 31.03.97
	(Rs. in lakhs)	
Finance Charges and other income	454.11	465.03
Expenditure	368.03	274.48

	Period ended 30.06.98	Year ended 31.03.97
--	--------------------------	------------------------

(Rs. in lakhs)

Gross Profit	86.08	190.55
Depreciation	82.42	77.52
Profit after Depreciation	3.66	113.03
Provision for Income Tax	0.40	54.00
Profit after Tax	3.26	59.03
Profit brought forward	18.99	14.97
Profit available for appropriation	22.25	74.00

APPROPRIATIONS

Proposed Dividend	—	37.45
Tax on Dividend	—	3.75
General Reserve	—	2.00
Statutory Reserve	0.65	11.81
Surplus balance in Profit & Loss Account	21.60	18.99
	<u>22.25</u>	<u>74.00</u>

PRUDENTIAL NORMS FOR NBFCs

Your Company had fully conformed to the prudential norms prescribed by RBI on various parameters and the accounts were prepared taking into account the above requirements. The capital adequacy ratio is 34.06% as against the minimum ratio of 10% prescribed by RBI. Your Company has submitted its application for registration to RBI before the prescribed date i.e. 8th July 1997. It is under consideration of RBI and their decision is likely to be communicated shortly.

DIVIDEND AND RESERVES

Due to inadequacy of profits your Directors are unable to recommend any dividend for the current year. As per statutory requirements a sum of Rs.65,156/- being 20 % of the net profit is being transferred to a special reserve.



The rating agency 'CARE' has modified the credit rating of your Company from BBB to BB+ indicating such instruments as speculative with inadequate protection for interest and principal payments. Consequently, the Company is not permitted to accept fresh deposits after the issue of the revised RBI directions in January '98. Your Company is allowed only to renew the existing deposits. This has severely restricted the Company's operations. However with prospects of improved performance during 1998-99 your Company hopes to get a better rating of AA+ or higher which will enable it to collect deposits from the public and thereby resume its normal operations.

FUTURE PROSPECTS

With a view to protect the small investors and to keep the Non Banking Finance Companies healthy, the Reserve Bank of India had during January '98 stipulated tighter norms for regulating NBFCs collecting public deposits.

The minimum credit rating of "A" required for collecting public deposits is expected to lead to a complete shake out among the NBFCs and may also result in further shrinking of their deposit base. The increase in minimum capital adequacy ratio from 8% to 10% required for NBFCs raising public deposits will also create pressure and restrict the number of such companies accessing public deposits. These conditions imposed by RBI though strict are aimed at restoring and maintaining the financial health and revive investors' confidence. The reporting norms have also been tightened considerably with the auditors being required to submit comprehensive report on the NBFCs they audit. This is expected to impart higher transparency to the system.

While a strong and healthy financial sector is essential for effective channelling of funds to both industrial and consumer segment, any weakness in this sector can affect the entire economy. The immediate impact of the new RBI regulations could lead to a major shake out in this sector. But it is expected that the long term benefits appear to justify these new regulations. The RBI has also prescribed composite limits for total exposure

in a single entity. These norms would severely restrict term lending by NBFCs, thereby reducing competition for banks. As a result of these strict regulations and effective monitoring by the RBI, only the fittest would survive. The tightening of the norms will be a severe shock to weaker NBFCs. The NBFCs who could survive will be forced to focus and specialise like specialised investment banks or housing finance companies. The new regulations are also likely to lead to a dramatic shift towards better quality. The new regulations are indeed a welcome step towards rebuilding investors' confidence in the NBFC sector.

Your Company hopes to be one of the survivors and take advantage of the regulations to emerge as one of such specialised institutions.

DIRECTORS

Mr R K Viswanathan and Mrs Visalakshi Periasamy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

AUDITORS

K Ramkrish & Co., Chartered Accountants retire on the conclusion of this Annual General Meeting and they are eligible for reappointment.

Regarding Auditors' observation about non provisioning for diminution in value of investments, Directors wish to state that as they are long term investments and the decline in value is only temporary, management did not consider it necessary to provide for the diminution as per the valuation guidelines of the Institute of Chartered Accountants.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The provisions of Section 217(1)(e) of the Companies Act, 1956 are not applicable to your Company.

Foreign Exchange (Earnings & Outgo: Total Foreign Exchange used and earned) Detailed information is furnished in Annexure I.



DHARANI FINANCE LIMITED

DEPOSITS

During the year under review, the public deposits collected by your Company showed a growth of 12.72 % with a net increase of Rs.130.44 lakhs to Rs.1155.95 lakhs due to the reasons explained in pre paragraphs. However after receipt of RBI's revised directions, collecting fresh deposits has been stopped. There are no overdue deposits as on 30.06.1998. There were 188 cases of unclaimed deposits to the total value of Rs.30.53 lakhs as on that date. Out of these 105 deposits to the value of Rs.18.57 lakhs have since been paid/renewed and as on the date of this report, there are only 83 cases of unclaimed deposits to the tune of Rs.11.96 lakhs. The deposit holders have been reminded to prefer their claims.

PARTICULARS OF EMPLOYEES

The statement showing particulars of employees required in terms of Section 217(2) (A) of the Companies Act, 1956 and the rules framed thereunder is appended hereto as Annexure II.

ACKNOWLEDGMENTS

Your Directors place on record their appreciation of the dedicated services rendered by the Staff and Executives of your Company.

For and on behalf of the Board

Dr PALANI G PERIASAMY
CHAIRMAN

PLACE : CHENNAI

DATE : 16.09.98

ANNEXURE I TO THE DIRECTORS' REPORT

	1997-98	1996-97
A. Conservation of Energy	Not applicable	Not applicable
B. Technology absorption	Not applicable	Not applicable
C. Foreign Exchange earnings	Nil	Nil
D. Foreign Exchange outgo	Nil	Nil

ANNEXURE II TO THE DIRECTORS' REPORT

Statement pursuant to Sec 217(2) (A) of the Companies Act 1956 and the Companies (Particulars of employees) Rules 1975

Sl. No.	Name/ Designation	Remuneration received	Qualification	Experience in years	Date of commencement of employment	Age in years	Last employment held
1	K Kandasamy Managing Director	Rs.3,95,160/-	B.A.B.L., M.B.A	16 Yrs	25.6.1994	41	Asst. Vice President Dharani Sugars & Chemicals Limited

For and on behalf of the Board

PLACE : CHENNAI
DATE : 16.09.98

Dr PALANI G PERIASAMY
CHAIRMAN