

NINTH

**ANNUAL
REPORT
1998-99**

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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	:	Mrs. Visalakshi Periasamy Justice (Retd) S Sivasubramaniam Dr. M. Ram Mohan Rao Mr. R K Viswanathan
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 638 001
5.	TRICHY	No.7, S.V.V. Building, No.28, Colony Main Road, Thillai Nagar Trichy 620 018
6.	PONDICHERRY	251, Bis Mission Street Pondicherry 605 001
7.	MADURAI	No.81, Netaji Road, II Floor Madurai 625 001
8.	SALEM	Sri Santham Complex Annexe 135 Sarada College Road I Floor Salem 636 004
9.	TIRUNELVELI	182-E-24, S N High Road Tirunelveli 627 001
10.	THIRUVANNAMALAI	I Floor 6C Big Street Thiruvannamalai 606 601
11.	GOBICHETTIPALAYAM	Sri Appu Complex 23, Sathi Main Road Near Rountana Gobichettipalayam 638 452

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the NINTH 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 **25th October, 1999, Monday at 10.15 A.M.** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 30th June 1999 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in place of Mr.R. Natarajan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Dr. M. Ram Mohan Rao who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

Reappointment of Shri. K. Kandasamy as Managing Director

5. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution.

"RESOLVED THAT in pursuant to Sections 198, 269, 309 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, and subject to such other approvals or consents as may be necessary, Mr. K. Kandasamy, Managing Director be and is hereby reappointed as Managing Director, not subject to retirement by rotation, for a further period of five years from 25.06.99 to 24.06.2004 on the following terms and conditions :

1. Salary : Rs.30,000/- per month.
2. Perquisites will be as provided in Schedule XIII of the Companies Act, 1956 and shall be restricted to an amount equal to the annual salary.

In the case of absence or inadequacy of profits in any financial year of the Company during the period of appointment the remuneration by way of salary allowances and perquisites shall be in accordance with Section II of Part II, of Schedule XIII.

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 16th October 1999 to 25th October, 1999 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 numbers in all correspondence with the Company and

notify the Company immediately of change, if any, in the Registered Address and/or of their mandates.

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. Members who have not encashed the Dividend Warrants of earlier years may write to the Registered Office with folio details for necessary assistance.
8. Members are requested to bring their copies of the Annual Report to the Meeting.

By order of the Board

PLACE : CHENNAI
DATE : 19.08.99

N SUBRAMANIAN
COMPANY SECRETARY

**DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present the ninth Annual Report for the year ended 30th June 1999. You may remember that the financial year of the Company was changed from April '97 - March '98 to April '97 - June '98 for convenience in accounting. This report therefore reflects the progress and operations of the Company during a period of 12 months commencing from 1st July '98 to 30th June '99, while the comparative figures relate to a period of 15 months.

The revised directions from SEBI, stipulate that the same Company cannot carry on both fund based activities and non-fund based activities. Your Company's operations have therefore been only moderate. There has not been much of an improvement in the rate of industrial growth and the economy of the country. What is true is that, there has been no further down trend in the industrial growth. After a period of slow growth lasting for three years, a number of basic economic indicators seemed to have turned positive indicating an upturn in the economy in the months to come. Your Company hopes that the new Government to be established in October after the elections would be more stable and consequently will be able to push through the various economic and financial reforms that are very badly needed, like the new Companies Bill, the Insurance Bill, disinvestments by the Government etc. A majority of the NBFCs who had suffered because of the tight regulations by the RBI are slowly coming out of the bad patches and are picking up business. The industry shakeout, the stringent regulatory framework and the tough market conditions have ensured that only the strong companies survive.

Your Company has managed to carry on without being submerged and has been able to improve its performance though very moderately. The financial results are given below. In brief total income due to operations was Rs 308.61 lakhs against Rs 454.11 lakhs in the previous year which covered a period of 15 months. The gross profit registered a marginal increase from Rs 86.08 lakhs to Rs 86.44 lakhs.

FINANCIAL RESULTS

	Year ended 30.06.99	period ended 30.06.98
	(Rs. in lakhs)	
Finance Charges and other income	308.61	454.11
Expenditure	222.17	368.03
Gross Profit	86.44	86.08
Depreciation	49.39	82.42
Profit after Depreciation	37.05	3.66
Provision for Income Tax	57.75	0.40
Profit / (Loss) after Tax	(20.70)	3.26
Profit brought forward	21.60	18.99
Profit / (Loss) available for appropriation	0.90	22.25
APPROPRIATIONS		
Proposed Dividend	—	—
Tax on Dividend	—	—
General Reserve	—	—
Statutory Reserve	—	0.65
Surplus balance in Profit & Loss Account	0.90	21.60
	0.90	22.25

The Company could not have access to fresh deposits after the issue of revised RBI Directions though renewal of the existing deposits has been permitted. Further the deposits had to be brought down to the level fixed by RBI. There was therefore substantial outflow of funds to the extent of Rs 690 Lakhs. Consequently the Company's operations had to be very restricted. Though the Company's operations for the year 1st July '98 - 30th June '99 resulted in a gross profit of Rs 86.44 lakhs, provision for Income Tax had gone up substantially from Rs 0.40 lakhs to Rs 57.75 lakhs as for Tax purposes, the accounts had to be made up only upto 31st March '99. Depreciation accounted for Rs 49.39 lakhs.

After setting off the profits of Rs 21.60 lakhs carried forward from previous year, the final carry over figure works out to Rs 0.90 lakhs.



PRUDENTIAL NORMS FOR NBFCs

Your Company had fully conformed to the prudential norms prescribed by RBI on various parameters and the accounts have been prepared taking into account the above requirements. The capital adequacy ratio is 52.46 % as against the minimum ratio of 12% prescribed by RBI.

DIVIDEND AND RESERVES

Due to absence of profits your Directors are unable to recommend any dividend for the current year. No amount is being transferred to the special reserve, for the same reasons.

FUTURE PROSPECTS

It is hoped that your Company may get a higher rating in the coming year which will enable the Company to collect fresh deposits from the public. The fortunes of NBFCs appear better now, than in the last three - four years. The signals of resurgence also came in the back drop of an improvement in the regulatory climate for NBFCs. Industrial growth is picking up, albeit slowly. For finance Companies, in the fund based business, the implications are positive not just for prospective business but for past disbursements too.

With the anticipated pick up in industrial activity and resultant higher growth, it is expected that operations of NBFCs will also enlarge. There has been some favourable decisions from the RBI and the Government of India which indicates the Government's appreciation of the requirements of NBFCs - like additional bank credit from Banks and FIs. It is also reported that a separate department under the charge of an Executive Director is likely to be formed within the RBI to regulate the healthy and orderly growth of NBFCs. These are likely to restore and maintain the financial health and revive investors' confidence. Though there has been some improvement in the capital market, the primary market continues to be very sluggish. It is our fond hope that the new Government will be able to devote more attention towards the financial reforms which are necessary for accelerated growth in the economy. NBFCs should be able to take advantage of this anticipated improvement in economy and expand their business activities. It is hoped that your Company's next report will be much more inter-

esting and pleasing to the shareholders.

DIRECTORS

Mr R Natarajan and Dr M Ram Mohan Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The term of office of Mr K Kandasamy, Managing Director has come to close by 24th June 1999. Considering his contribution and dedicated efforts towards building up the Company for the last 5 years, the Board of Directors have resolved to reappoint him for a fresh period of 5 years from 25.6.99 subject to approval of shareholders. Necessary resolution in this regard has been proposed separately.

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 of India.

LISTING WITH STOCK EXCHANGES

The Company's securities are listed at the following Stock Exchanges.

1. Madras Stock Exchange Ltd., Exchange Building, Post Box No.183, II Line Beach, Chennai - 600 001.
2. The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai 400 001.
3. The Stock Exchange Ltd., Ahmedabad, Kamadhenue Complex Opp. Shahjanand College, Panjara Pole, Ahmedabad - 380 015.
4. Coimbatore Stock Exchange Limited, CSX Towers, 683-686 Trichy Road, Singanallur, Coimbatore 641 005.

The Listing Fees for these Stock Exchange have been paid upto date.