

# ELGI FINANCE LIMITED



**16TH ANNUAL REPORT**  
**31-03-1999**

# ELGI FINANCE LIMITED

## **BOARD OF DIRECTORS**

SRI. L.G. VARADARAJULU  
(CHAIRMAN)  
SRI. L.G. RAMAMURTHI  
DR. T.V. GOPALAKRISHNAN  
SRI. K. SUBRAMANIAM  
SRI. MAHENDRAN RAMDAS  
SRI. N.C. RAMACHANDRAN  
SRI. D. SELVARAJ  
SRI. SUDARASAN VARADARAJ  
DR. JAIRAM VARADARAJ  
(MANAGING DIRECTOR)

## **CHIEF EXECUTIVE & SECRETARY**

SRI. V.K. KUMAR

## **BANKERS**

STATE BANK OF INDIA  
THE DHANALAKSHMI BANK LTD  
GLOBAL TRUST BANK LTD  
THE LAKSHMI VILAS BANK LTD  
THE CATHOLIC SYRIAN BANK LTD  
BANK OF BARODA  
THE FEDERAL BANK LTD  
THE SANGLI BANK LTD  
STATE BANK OF MYSORE  
KARUR VYSYA BANK LTD  
STATE BANK OF TRAVANCORE

## **AUDITORS**

M/S. SURI & CO  
CHARTERED ACCOUNTANTS  
COIMBATORE

## **REGISTERED OFFICE**

ELGI HOUSE  
TRICHY ROAD, RAMANATHAPURAM  
COIMBATORE - 641 045

Members are requested to bring their  
copy of the Annual Report to the  
Annual General Meeting

**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of Elgi Finance Limited will be held on Thursday, the 24th day of June 1999 at 4.00 p.m. at Nani Palkhivala Auditorium, Mani Higher Secondary School, P.N.Palayam, Coimbatore -641 037, to transact the following business.

**ORDINARY BUSINESS:**

1. To consider and adopt the Balance Sheet and Profit & Loss Account for the period ended 31st March 1999 together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri.L.G.Varadarajulu who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr.T.V.Gopalakrishnan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri.Sudarsan Varadaraj who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting 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 consequent upon change in the accounting year of the company and the resultant additional audit work undertaken for a total period of 18 months, the remuneration payable to M/s.Suri & Co, Chartered Accountants, fixed at Rs.60,000/- for 12 Months by the Board be and is hereby increased to Rs.90,000/- (payable in one or more installments) plus reimbursement of all out of pocket expenses.

7. 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 269 and other applicable provisions of the Companies Act, 1956, Dr.Jairam Varadaraj be and is hereby re-appointed as Managing Director of the Company for a period of five years from 01.09.1999 to 31.08.2004 without remuneration.

8. 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 258 and all other applicable provisions, if any, of the Companies Act, 1956 the number of Directors of the Company in office for the time being be reduced from 10 to 9.

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

RESOLVED that the following article No. 41 be added after article No.40 to the Articles of Association of the Company.

41. The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the board of directors or of a committee of the board and except in the presence of atleast one director and of the Secretary or such other person as the board may appoint for the purpose and the director and the secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed. As regards affixing the seal to Share Certificates, the same shall be affixed in accordance with the provisions of the Companies (Issue of share certificate) Rules 1960 or any other statutory regulation.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 TO BE ANNEXED TO THE NOTICE OF ANNUAL GENERAL MEETING.****Item No.6**

The financial year of the company was extended to 31.03.99 (i.e.01.10.97 to 31.03.99) for a period of 18 months for which approval of the Registrar of Companies has been obtained under the provision to Sections 166/210(4) of the Companies Act, 1956. This has resulted in auditing of the accounts of the company for a total period of 18 months. At the last Annual General Meeting held on 24.12.1997 members had appointed M/s.Suri & Co as auditors of the Company and empowered the Board to fix the remuneration. Accordingly the Directors fixed a remuneration of Rs.60,000/- on the basis of audit of accounts for a period of 12 months ended 30.09.98. Since there is an extended period of six months involving additional audit work, it is felt that pro-rata additional remuneration of Rs.30,000/- plus reimbursement of all out of pocket expenses be paid to them. The Directors recommend the increase and accordingly the resolution in this regard is put forth for your approval.

None of the Directors are in any way concerned or interested in this resolution.

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**Item No.7**

Dr.Jairam Varadaraj was appointed as Managing Director of the Company for a period of five years from 01.09.1989 to 31.08.94 without remuneration. Subsequently approval from the Members was obtained for payment of remuneration for the period 01.04.93 to 31.08.94, but Dr.Jairam Varadaraj in consultation with the Board decided not to draw the remuneration as approved by the Central Government as the same was not commensurate with his responsibilities.

At the Annual General Meeting held on 07.09.94 Dr.Jairam Varadaraj was re-appointed for a further period of five years from 01.09.94 to 31.08.99 without remuneration. Your Company needs the able leadership of Dr.Jairam Varadaraj especially at this crucial juncture and hence the Board feels that it is appropriate for Dr.Jairam Varadaraj to be re-appointed as Managing Director for a further period of five years commencing from 01.09.99 without remuneration.

None of the Directors except Sri.L.G.Varadarajulu, Sri.Sudarsan Vardaraj and Dr.Jairam Varadaraj are concerned or interested in this resolution.

**Item No.8**

Section 258 of the Companies Act, 1956, provides that the Company in general meeting may by an ordinary resolution increase or reduce the number of its directors within the limits fixed by the Company in that behalf. Mr.T.M.Gopalaswamy, Director of the Company resigned from the Board and since the Board is not desirous of filling the casual vacancy it has decided to reduce the number of directors in office for the time being from 10 to 9. The proposed resolution is intended for the purpose.

None of the Directors are in any way concerned or interested in this resolution.

**Item No.9**

The existing Articles of Association do not contain any specific clause regarding use of common seal and hence the seal is being used as per table 'A' of Companies Act, 1956, which requires the presence of atleast two directors and the secretary or an authorised person at the time of affixing. For the sake of administrative convenience it is considered expedient to provide that the presence of one director and the secretary or an authorised person is sufficient for affixing the seal. It is hence proposed to amend the Articles of Association by inserting a new clause-article 41. This amendment requires the approval of shareholders under Section 31 of the Companies Act, 1956.

Your directors recommend the resolution for your approval.

None of the Directors are in any way concerned or interested in this resolution.

**NOTE**

A Member entitled to attend and vote at a Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.

The instrument appointing the Proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

The Register of Members and Share Transfer Register of the Company will remain closed from 16.06.99 to 24.06.99 (both days inclusive).

Particulars of unclaimed dividend already transferred to the General Revenue of the Central Government under Sec.205(A) of the Companies Act, 1956 and the rules made there under as amended upto date are given hereunder for the information of the shareholders.

Financial year of the Company to which the dividend relates	Date of declaration of dividend	Total amount transferred	Total No. of equity share holders who have not claimed the dividend
1989 -1990	15.11.90	Rs. 9,900	46
1990 -1991	30.09.91	Rs. 15,190	58
1991 -1992	28.11.92	Rs. 34,683	111
1992 -1993	20.09.93	Rs. 66,101	148
1993 -1994	07.09.94	Rs. 55,472	140
1994 -1995	12.09.95	Rs. 60,314	343

Coimbatore  
17.05.99

By Order of the Board  
V.K.KUMAR  
Chief Executive & Secretary

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**DIRECTOR'S REPORT**

Your Directors present the Sixteenth Annual Report together with the audited accounts for the eighteen months ended 31st March, 1999. The accounting year of the Company was extended by six months with necessary approval from the Registrar of Companies.

**FINANCIAL RESULTS**

	18 Months ended 31.03.99 (Rupees in lacs)	18 Months ended 30.09.97 (Rupees in lacs)
<b>GROSS INCOME</b>	2376.74	5404.78
Profit before Interest, Depreciation, NPA and Tax	1431.85	4547.62
Less / (Add) :		
(a) Interest	(3123.34)	3382.44
(b) Depreciation & Lease Equalisation	(947.65)	658.48
(c) NPA Provision	(1780.79)	173.30
(d) Provision for tax	-	59.00
Balance (Loss) / Profit	(4419.93)	274.40
(Add) / Less Lease Equalisation of earlier year	(306.88)	-
(Less) / Add Previous year surplus c/f	108.98	21.18
(Loss) / Profit available for appropriation	(4617.83)	295.58
<b>APPROPRIATIONS</b>		
(a) Proposed Equity Dividend (Inclusive of Dividend Tax)	-	111.14
(b) Transfer to Statutory Reserve	-	54.88
(c) Transfer to General Reserve	-	20.58
(d) Surplus carried over	-	108.98

**OPERATIONS**

Disbursements were meagre during the period owing to all round recession, shrinking rates and dearth of quality borrowers, besides pressure arising out of revised RBI guidelines to repay public deposits. Aggressive lending in such a scenario would have only further exposed the company to irreparable risk and loss. This has indeed had a major adverse impact on the operations resulting in a net loss of Rs. 4419.93 lacs inclusive of NPA provisions. However cash flows were judiciously used to repay public deposits of Rs. 80.53 crores thus fulfilling depositor's requirements and statutory compulsions. Therefore funds deployed in business has shrunk by over 50% which will have a telling effect on the results of the Company in the coming years.

**SUBSIDIARY**

Elgi Ultra Appliances Ltd ceased to be a subsidiary w.e.f. 31.03.1999 and your Company's investment in the subsidiary has been realised in full.

**DEPOSITS.**

Deposits which stood at Rs. 81.51 crores on 01.10.97 drastically dropped to Rs. 8.86 crores on 31.03.99 and further down to Rs 0.98 crores on date. Considerable and timely funding support from the companies in the Elgi Group was extended to complete this exercise. Co-operation from the Company's Bankers and ICICI greatly facilitated this exercise.

The Company has no immediate plans to raise money through Public Deposits although Depositor confidence and support is still overwhelming. As a result your Company is not seeking review of credit rating by ICRA as there will be no deposits, while RBI registration will be renewed under an appropriate category.

As on 31.03.99, 619 deposits aggregating to Rs. 71.99 lacs were unclaimed, of which 267 deposits aggregating to Rs.30.52 lacs were since repaid. Efforts are being made to contact the other depositors for repaying their deposits.

During the period under report, the Company's branches at Vellore, Rajamundhry, Vijayawada, Vishakapatnam, Mangalore and Thrissur were closed.

**OUTLOOK FOR THE CURRENT YEAR**

Although the Company has substantially cut operational and interest costs, reduced funding and business volumes coupled with poor levels of recovery, paint a very discouraging picture for the current year and further until a definite economic revival takes shape. Much of the effort in the current year would go towards shoring up recoveries alone, rather than divert focus into other uncertain areas for income accretion or growth.

**DIRECTORS**

Sri.T.M.Gopalaswamy resigned from the Board in May 1999 for health reasons. Your Directors wish to place on record their appreciation for the valuable contribution made by him during his tenure. As the Board is not desirous of filling the vacancy, reduction in the strength of the Board is proposed at the ensuing Annual General Meeting.

Sri.L.G.Varadarajulu, Dr.T.V.Gopalakrishnan and Sri.Sundarsan Varadaraj will retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS/ OUTGO**

Your Company has no activity in these areas.

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