

ELGI FINANCE LIMITED

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19TH ANNUAL REPORT

31-03-2002

ELGI FINANCE LIMITED

BOARD OF DIRECTORS	:	Dr. JAIRAM VARADARAJ Managing Director C.N. SUBRAMANIAN B. BALAKRISHNAN S.A. SUBRAMANIAN
BANKERS	:	STATE BANK OF INDIA ICICI BANK LIMITED THE LAKSHMI VILAS BANK LIMITED
AUDITORS	:	M/s. SURI & CO., CHARTERED ACCOUNTANTS COIMBATORE.
REGISTERED OFFICE	:	"INDIA HOUSE", 1239, TRICHY ROAD, COIMBATORE - 641 018.
REGISTRARS AND TRANSFER AGENTS FOR DEMATERIALISATION	:	Intime Spectrum Registry Ltd. 260-A, Shanti Industrial Estate Sarojini Naidu Road, Mulund West Mumbai - 400 080 Phone : 91-22-5923837 Fax : 91-22-5672693 E-mail : isrl@vsnl.com

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

ELGI FINANCE LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Elgi Finance Limited will be held on Monday the 9th day of September 2002 at 4.00 p.m. at Nanai 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 as at 31st March, 2002, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors there on.
2. To appoint a Director in place of Sri. C.N. SUBRAMANIAN who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTE :

1. 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 member.
2. The instrument appointing a proxy should 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 Register of the Company will remain closed from 30.8.2002 to 09.09.2002 (both days inclusive).
4. The Company has already transferred all unclaimed dividend up to the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, Stock Exchange Building, Trichy Road, Singanailur, Coimbatore - 641 005.
5. Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1996 and 30th September, 1997 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. Shareholder who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1996 and 30th September, 1997 are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
6. All formalities relating to dematerialisation with M/s. Central Depository Services (India) Limited have been completed and the scrip can be traded in dematerialised form.
ISIN Activation Code Alloted : INE424D01018.
7. Appointment / Reappointment of Directors :

A brief resume, nature of experience in specific functional areas and other Directorship and Membership of Committees in respect of the appointment / re appointment of Directors are given in terms of clause 49 of the Listing Agreement.

Name : Sri. C.N. SUBRAMANIAN
 Age : 49 YEARS
 Qualification : B.Com., F.C.A.
 Expertise : Finance & Accounts
 Other Directorships : 1. Elgi Securities Ltd., 2. Darkhorse Portfolio Investment Ltd.
 3. Salem Services Pvt. Ltd. 4. Premier Industrial Drives Pvt. Ltd.
 5. Madura Public Conveyance Pvt. Ltd.

Coimbatore
 10/07/2002

By order of the Board
 JAIRAM VARADARAJ
 Managing Director

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19th ANNUAL REPORT**DIRECTORS' REPORT**

Your Directors present the Nineteenth Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

	Year ended 31/03/2002 (Rs. in lacs)	Year ended 31/03/2001 (Rs. in lacs)
GROSS INCOME	35.00	760.63
Loss before Interest, Depreciation, Provision for NPA and Tax	(49.27)	(97.56)
Less / (Add) :		
a) Interest	0.00	(27.51)
b) Depreciation and Lease Equalisation	(2.66)	(86.15)
c) Provision for NPA withdrawn	2.77	1,776.91
Balance Profit / (Loss)	(49.16)	1,565.69
Add : Extra Ordinary Items	0.00	516.76
Balance Profit/Loss after Extra Ordinary Items	(49.16)	2,082.45
Less : Previous Year Loss B/F	(1,690.24)	(3,772.69)
Balance Loss carried over	(1,739.40)	(1,690.24)

OPERATIONS

The Company could not conduct any financial operations during the year due to paucity of funds. The Company continued the recovery process for and on behalf of the Companies whereto the receivables have been assigned.

During the year the Reserve Bank of India had issued a notice cancelling the registration of the Company as a Non-banking Finance Company.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year. There are no dues payable on account of fixed deposits at the end of the year.

DIVIDEND

Due to losses incurred by the Company, the Board of Directors do not recommend any dividend for the year.

OUTLOOK FOR THE CURRENT YEAR

The Company cannot continue as a Non-banking Finance Company due to cancellation of its certificate by Reserve Bank of India. The Management is exploring the possibility of new avenues of business for the Company.

DIRECTORS

Sri. C.N. Subramanian will retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

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

Furnishing of details regarding CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS / OUTGO are not applicable to the Company.

LISTING

The shares of the company have been listed in Mumbai Stock Exchange, Madras Stock Exchange Ltd and Coimbatore Stock Exchange Ltd. The listing fees payable have been duly paid.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance is annexed to this Annual Report. The Company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement. The certificate obtained from the auditors of the company regarding compliance of conditions is annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors of your Company confirm :

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ELGI FINANCE LIMITED

- That all applicable Accounting Standards have been followed in the preparation of annual accounts and that there are no material departures.
- That such Accounting Policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2002 and of the Loss of the Company for the year ended on that date.
- That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s. Suri & Co., Chartered Accountants, will retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

PERSONNEL

There are no employees covered by the particulars required to be disclosed under Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGMENTS :

Your Directors wish to thank and place on record their appreciation to the employees of the Company, who have supported, contributed and have put in their fullest co-operation in the day-to-day operations of the Company.

By order of the Board
JAIRAM VARADARAJ
Managing Director

Coimbatore
10/07/2002

B. BALAKRISHNAN
Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Non-banking Finance Company industry has seen very little improvement during the year. The Banks have flooded the market due to their increasing liquidity at low cost and therefore the Industry is unable to compete effectively.

OPPORTUNITIES AND THREATS

As a Non-banking Finance Company, not much opportunity exists. The threat of extinction of Non-banking Finance Company industry is real. The management does not foresee any significant growth potential in this business.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company did not have any financing activities or any other activity other than collections during the year.

OUTLOOK

The Company's option to operate as a Non-banking Finance Company has been sealed due to cancellation of registration by Reserve Bank of India. The Company can look forward to take-up any other profitable opportunity after considering the pros and cons of the same. The Management is currently scouting for such options.

RISK AND CONCERNS

Since the Company is only acting as a collection entity there are no significant risks associated with this operation.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Please refer Director's Report on Operations.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

There has been no material developments in human resources / industrial relations front. As on 31st March, 2002, the Company has 12 employees.

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19th ANNUAL REPORT**ANNEXURE TO DIRECTOR'S REPORT****REPORT ON CORPORATE GOVERNANCE :**

The Stock Exchange have by an amendment added clause 49 to the listing agreement incorporating a code of corporate governance at the directive of the Securities & Exchange Board of India (SEBI). The mandatory features of the code were required to be implemented by all companies on or before 31st March 2002. Accordingly, your company has complied fully with all the mandatory requirements of corporate governance in all material aspects. A report on corporate governance in the format prescribed in the Listing Agreement is given below :

1) Company's Philosophy on Code of Governance :

Your company firmly believes in transparency in its dealings and lays emphasis on integrity and regulatory compliance. The Elgi Group considers good corporate governance a prerequisite for meeting the needs and aspirations of the shareholders of the company. With this end in view, this year's Annual Report has made substantial disclosures on the Board, Board Committees as also on the financial and stock performance.

2) Board of Directors :

As on 31st March 2002, the Board of Directors of your Company consisted of Directors including 3 independent non-executive Directors. The composition of the Board of Directors as of that date was as follows :

Director	Whether Promoter, Executive or Independent Non-Executive	No. of outside Directorship held in Public Companies	No. of membership in other Committees	
			Member	Chairman
Sri. Jairam Varadaraj	Promoter/Managing Director	5	2	---
Sri. S.A. Subramanian	Independent Non-Executive	5	2	---
Sri. C.N. Subramanian	Independent Non-Executive	2	2	---
Sri. B. Balakrishnan	Independent Non-Executive	2	2	2

Board Meetings and Annual General Meeting :

During the year under review, 5 Board Meetings were held, the dates being 16th April 2001, 25th June 2001, 30th July 2001, 29th October 2001 and 30th January 2002. The Annual General Meeting was held on 6th September 2001.

Details of attendance of each Director at the Board Meetings and Annual General Meeting are given below :

Name of the Director	No. of Board Meetings attended	Whether last Annual General Meeting attended
Sri. Jairam Varadaraj	2	Yes
Sri. C.N. Subramanian	5	Yes
Sri. S.A. Subramanian	3	Yes
Sri. B. Balakrishnan	5	Yes

3) Audit Committee :

This Audit Committee was first constituted on 24th January 2001 consisting of Sri. Jairam Varadaraj, Sri. C.N. Subramanian and Sri. B. Balakrishnan. The Audit Committee was reconstituted on 25th June 2001 pursuant to the provisions of section 292A read with clause 49 of the listing agreement.

The following Independent Non-Executive Directors are the members of the newly constituted Audit Committee :

Sri. B. Balakrishnan - (Chairman)
Sri. S.A. Subramanian
Sri. C.N. Subramanian

The terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and Internal Auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

During the year under review, 5 meetings of the Audit Committee were held, the dates being 16th April 2001, 25th June 2001, 30th July 2001, 29th October 2001 and 30th January 2002.

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