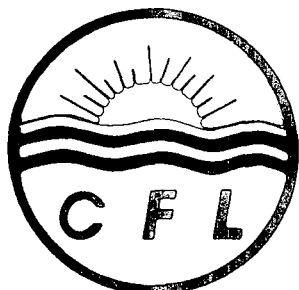


MD			BKC	✓
CS	✓		DPY	NA
RO			DEV	✓
TRA	✓		AC	✓
ACM	✓	✓	SH	✓
YR	✓	✓		✓



Central Finance Limited

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14th

ANNUAL

REPORT

1997-1998

OUR BUSINESS POLICY AND PHILOSOPHY

Customer focus as all-round concern.

Prudence in business decisions.

Earning good returns at minimum risk.

Investment in building motivated staff.

Perseverance in whatever we aim at.

DIRECTORS

MR. PRIYAKANT M. DALAL *Chairman*

MR. VIPUL P. DALAL

MR. BHARAT J. SHAH

MR. PARIMAL MERCHANT

MR. H.S. SAWHNEY *Executive Director*

MR. JAYANAND GOVINDARAJ

MR. GANESH RAJAGOPALAN

MR. HIREN H.SHAH *Executive Director*

REGISTERED OFFICE

507, MAKER CHAMBERS V,
NARIMAN POINT,
MUMBAI - 400 021.

CORPORATE OFFICE

310, MAKER CHAMBERS V,
NARIMAN POINT,
MUMBAI - 400 021.

BANKERS

BANK OF PUNJAB LTD.
CORPORATION BANK

AUDITORS

M/S. C.C. DALAL & CO.

Central Finance Limited**NOTICE**

NOTICE is hereby given that the 14th Annual General Meeting of the members of Central Finance Ltd. will be held on Friday, the 3rd of July, 1998 at 4.00 p.m. at the Kilachand Conference Room, Indian Merchants' Chamber, IMC Marg, Churchgate, Mumbai - 400 020 to transact the following business :

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1998 and the Report of the Directors and the Auditors.
2. To declare dividend.
3. To appoint a Director in place of Shri Priyakant M. Dalal who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Vipul P. Dalal who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the
Board of Directors

Place : Mumbai
Dated : 15th May, 1998

HIREN H. SHAH
Executive Director

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) 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.
- 3) The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 29th June, 1998 to Thursday, the 2nd day of July, 1998 (both days inclusive).
- 4) The Dividend on the Shares as recommended by the Board of Directors, if declared at the Meeting will be paid to those shareholders whose names appear on the Company's Register of Members on 2nd day of July 1998.
- 5) Shareholders who desire any information as regard Accounts are requested to write to the Company at least one week before the date of the meeting so as to enable the Management to keep the information ready.

By Order of the
Board of Directors

Place : Mumbai
Dated : 15th May, 1998

HIREN H. SHAH
Executive Director



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DIRECTORS' REPORT

To
The Members,

Your Directors are pleased to present their Fourteenth Annual Report on the working of the Company. The audited statement of accounts for the year ended 31st March, 1998 is also placed before you.

FINANCIAL RESULTS

	(RS. IN LACS)	
	YEAR ENDED 31.3.98	YEAR ENDED 31.3.97
Income from Operations & Other Income	212.60	179.83
Profit before interest, depn., extraordinary items & tax	166.05	146.28
Interest	53.95	30.00
Depreciation	25.22	49.38
Profit Before Extraordinary items & Tax	86.88	66.90
Extraordinary items	33.52	2.02
Profit before tax	53.36	64.88
Tax Provision	28.00	45.54
Profit After Tax	25.36	19.34
Add : Balance brought forward	51.83	51.40
Less : Prior period adjustments	0.69	0.46
Balance available for Appropriation	76.50	70.28
Appropriations		
Proposed Dividend	14.40	13.50
Tax on Proposed Dividend	1.44	1.35
Transfer to Statutory Reserve	5.25	—
Transfer to General Reserve	4.00	3.60
Balance Carried forward	51.41	51.83

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1.60 per share (Rs. 1.50 per share for the previous year), aggregating to Rs. 14.40 lacs (Rs.13.50 lacs). As the dividend income is tax free, the effective yield for various shareholders works out to as follows :

Dividend	Tax Slab			
	10%	20%	30%	35%
16%	Individual			Corporate
	YIELD			
	17.77%	20.00%	22.86%	24.62%

OPERATIONS

The year under review has been an extension of 1996 impacted by slowdown in the economy despite good monsoon, reduction in CRR and continued policies of liberalisation. The slackening of demand has been all pervasive that despite money being available with Banks/ NBFC's, there were not enough credit worthy borrowers.

Under such conditions, your company has achieved a growth of 18.22% in gross income, at Rs. 212.60 lacs, (Rs. 179.83 lacs) which is commendable. The profit before extraordinary items registered a growth of 30% at Rs. 86.88 lacs (Rs. 66.90 lacs) while net profit increased sharply by 31% to Rs. 25.36 lacs (Rs.19.34 lacs) after writing off bad debts & provisions of Rs.33.52 lacs (Rs. 2.02 lacs).

INVESTMENT INCOME

This division, which has performed consistently over the years, has shown remarkable growth in a year which has by and large remained sluggish, save for an occasional rally. Your directors by taking prudent and timely investment decisions has done exceedingly well in the year under review. The company has also deployed funds in Vyaj Badla on Bombay Stock Exchange to capitalise on the high Badla rates prevailing in the market.

INCOME FROM DEBT OPERATIONS

This division which commenced operations in the last quarter of the previous year, earned a gross income of Rs. 41.93 lacs (Rs.7.68 lacs) thereby reporting excellent growth and contributed substantially to the profits of the company. Your company has now established a sound presence in the above segment with various financial institutions and corporates.

CORPORATE FINANCE

The performance of this division has been reasonably well with all the activities of the division recording healthy growth. Interest received on deployment of fixed deposits increased substantially from Rs. 41.86 lacs to Rs. 72.95 lacs. Bill Discounting charges also recorded a growth of 49.38% at Rs.14.52 lacs (Rs. 9.72 lacs).

Central Finance Limited



LEASE INCOME

Against backdrop of defaults, the company continues to tread a cautious path in the above segment and have executed a few deals of a nominal amount.

PRUDENTIAL NORMS FOR RBI

RBI has made far-reaching amendments in Non Banking Financial Companies regulation by introducing stringent prudential norms especially for the companies accepting public deposits. The acceptance of the deposits has now been linked to Credit rating obtained from approved Credit Rating agencies.

CURRENT YEAR'S OUTLOOK

The slowdown in economy is likely to continue at least for the first half of 1998-99. Further in view of the sanctions imposed by the developed countries as a fall out of the Nuclear tests conducted by India, interest rates are likely to harden. Steady depreciation of rupee will increase inflation rate and hit imports. Further political uncertainty will lead to postponement of investment plans. All these factors may lead to further weakening of domestic demand.

We hope that the Budget shall try to address the above problems. Investment by the Government in the infrastructural projects shall help to stimulate the demand. Unless some concrete corrective measures are taken, the economy is likely to witness difficult times in future.

Your Company has been cautiously venturing into new areas of business and realigning its strategy by constantly reviewing the performance of the new business activity.

Investment and Debt market operations are the core activities of the company and are expected to impart stability to the bottomline of the company. The company has made sound investments which are expected to give good returns in the current year. With the likely broadening of the Debt market, this segment has good prospects.

The Company's rating has been downgraded by CRISIL to FA- and according to the recent guidelines issued by RBI in January 1998 our Company cannot accept new deposits and

have to refund the existing deposits by March 2000. However, if the rating is restored back to FA, the Company will be able to retain Rs. 90 lacs under Fixed Deposit Scheme. Your company has complied with the RBI guidelines and have repaid approximately Rs. 85 lacs since 2nd January 1998 till the date of this report without any recourse to fresh borrowing. The company has not faced any asset - liability mismatch due to prudent deployment of resources. The reduction in the Fixed deposits shall have its impact on the interest income. However the spreads are not expected to be affected adversely.

The difficult market conditions has seen many good corporates also delaying the payments and thus the Re-Bill Discounting scheme has been suspended for the time - being. The company would instead concentrate on the syndication of Bills Discounting / ICD etc.

The Company's Category I licence expired in April 1998 and was not renewed due to dormant primary market conditions and also since the minimum Networth has been increased to Rs. 5 crores.

The year ahead, though admittedly a difficult one, your directors are hopeful of improving the performance.

SUBSIDIARY COMPANIES

The audited accounts alongwith the Director's Report for the year ended 31st March, 1998 in respect of M/s. Central Finance Securities Ltd. is attached as required u/s. 212 of the Companies Act, 1956.

DIRECTORS

Mr. Priyakant M. Dalal and Mr. Vipul P. Dalal retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. C. C. Dalal and Co., Chartered Accountants, Mumbai, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies



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(Particulars of Employees) Rules, 1975 is set out in the Annexure forming part of this report.

DEPOSITS

The Company had 2 unclaimed deposits as at 31st March, 1998 which were subsequently repaid.

ENERGY CONSERVATION AND FOREIGN EXCHANGE

The Company has no activity relating to conservation of energy or technology

absorption. The Company does not have any foreign exchange earnings or outgo.

APPRECIATION

The Directors wish to place on record their appreciation of the devoted services of the Staff and Officers for their contribution to the performance of the Company and to our valued Clients, Auditors, Bankers, Depositors, and Shareholders for their support.

For and on behalf of the
Board of Directors

Place : Mumbai

HIREN H. SHAH

Dated : 15th May, 1998

Executive Director

ANNEXURE TO DIRECTORS' REPORT

Particulars of Employees employed for part of the year and were in receipt of remuneration of not less than Rs. 25,000/- per month.

Sr. No.	Name	Age/ years	Designation/ Nature of duties	Gross Remuneration Rs.	Qualification/ Experience	Date of Employment	Previous Employment
1.	Mr. Hiren H. Shah	42	Executive Director	3,00,000	B.Com., LL.B. 22 years	15.04.96	President MCS Ltd

Note : The nature of Employment is contractual.

For and on behalf of the Board of Directors

Place : Mumbai

HIREN H. SHAH

Dated : 15th May, 1998

Executive Director



Central Finance Limited

AUDITORS' REPORT

To
The Shareholders,

We have audited the attached Balance Sheet of Central Finance Ltd, as at 31st March, 1998 and also the attached Profit and Loss Account of the Company for the year ended on that date and report that :

- A) As required by Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4-A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we give in the annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
- B) Further to our comments in the Annexure referred to in paragraph A above, we 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 books;
 3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes thereon 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 1998 and
 - b) In the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

FOR C.C. DALAL & CO.
Chartered Accountants

Place : Mumbai
Dated : 15th May, 1998

K.C. DALAL
Partner

ANNEXURE REFERRED TO IN PARAGRAPH OF OUR REPORT OF EVEN DATE

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets. The Fixed Assets have been physically verified by the management during the year. We are informed that no

discrepancies were noticed on such verification as compared with the aforesaid records of Fixed Assets.

2. None of the Fixed Assets have been revalued during the year.
3. The Company has granted loans to other companies and the rate of interest and other terms and conditions of such loans are not prima-facie prejudicial to the interest of the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company.
5. In case of the public deposits received by the Company, the directives issued by the Reserve Bank of India and the provisions of section 58A of the Companies Act, 1956 and the applicable rules framed thereunder, have been duly complied with.
6. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
7. The provisions of the enactments pertaining to provident fund and employee state insurance are not applicable to the Company.
8. According to information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding, as at 31st March, 1998 for a period of more than six months from the date they became payable.
9. According to the information and explanations given to us, no personal expenses have been charged to revenue account.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of Special statutes pertaining to chit funds, nidhi or mutual benefit societies are not applicable to the Company.
12. The Company has maintained proper records of transactions of its investments. Further all investments are held in the name of the Company except those which are in the process of transfer.

As per the information and explanations given to us and taking into consideration the nature of business of the company, clauses (iii), (iv), (v), (vi), (xii), (xiv), (xvi) and (xx) of paragraph 4 (A) and clauses (ii) and (iv) of the paragraph 4(B) of the Manufacturing and Other Companies (Auditors Report) Order, 1988 are not applicable.

FOR C.C. DALAL & CO.
Chartered Accountants

Place : Mumbai
Dated : 15th May, 1998

K.C. DALAL
Partner



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BALANCE SHEET AS AT 31ST MARCH 1998

	SCHEDULES	31-03-98 RUPEES	31-03-97 RUPEES
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	90,00,000	90,00,000
Reserves & Surplus	2	94,26,266	85,43,667
Secured Loans	3	8,09,539	20,16,013
Unsecured Loans	4	2,09,80,000	2,64,38,000
TOTAL		4,02,15,805	4,59,97,680
APPLICATION OF FUNDS			
Fixed Assets	5	40,25,140	62,70,490
Investments	6	2,29,49,630	90,57,207
Current Assets, Loans & Advances	7	3,29,04,862	5,24,09,294
Less : Current Liabilities and Provisions	8	1,97,26,048	2,18,16,969
Net Current Assets		1,31,78,814	3,05,92,325
Miscellaneous Expenditure	9	62,221	77,658
TOTAL		4,02,15,805	4,59,97,680
Notes on Accounts	14		

As per our Report of even date

For C.C. DALAL & CO
Chartered AccountantsK.C. DALAL
Partner

For and on behalf of the Board

P. M. DALAL H.H. SHAH V.P. DALAL
Chairman Executive Director DirectorP. R. MERCHANT Director
B. J. SHAH Director

Place : Mumbai, Dated : 15th May, 1998