

Annual Report 1998 - 99



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Gujarat Lease Financing Limited

A Joint Sector Company of Torrent Group and GIIC Ltd.

CORPORATE INFORMATION

DIRECTORS

Dr. A. C. Shah *Chairman*
 Mr. G. Subba Rao, IAS
 Mr. R. Bannerji, IAS
 Ms. Nethra Shenoy, IAS
 Mr. Sudhir Mehta
 Mr. Samir Mehta
 Mr. K.N. Pujara
 Mr. Vasant Shah *Managing Director.*

AUDITORS

M/s. C.C. Chokshi & Company
 Chartered Accountants,
 Ahmedabad

M/s. Kapoor & Company
 Chartered Accountants,
 Ahmedabad

BANKERS

Bank of India
 Dena Bank
 Bank of Baroda
 Central Bank of India
 Canara Bank
 Federal Bank Ltd.
 American Express Bank
 Oriental Bank of Commerce
 State Bank of India
 Andhra Bank
 Credit Lyonnais
 State Bank of Saurashtra
 Vysya Bank Ltd.
 Vijaya Bank
 Development Credit Bank Ltd.
 Dhanlaxmi Bank Ltd.
 Union Bank of India

REGD. OFFICE

1st Floor, Hasubhai Chambers,
 Opp. Town Hall,
 Ellisbridge,
 Ahmedabad - 380 006.

BRANCH OFFICES

Ahmedabad, Bangalore, Baroda, Bhavnagar, Bharuch, Calcutta,
 Chennai, Chandigarh, Cochin, Coimbatore, Gandhidham,
 Hyderabad, Indore, Jaipur, Jalandhar, Jodhpur, Mumbai,
 Nagpur, New Delhi, Pune, Rajkot, Surat & Udaipur.

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NOTICE

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Gujarat Lease Financing Limited will be held on Friday, 24th September, 1999 at 10.00 A.M. at Dinesh Hall, Nr. Income Tax, Off Ashram Road, Ahmedabad 380 009 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 1999 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Sudhir Melita, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Samir Mehta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT M/s C.C.Chokshi & Company, Chartered Accountants, Ahmedabad and M/s Kapoor & Company, Chartered Accountants, Ahmedabad, the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the Sixteenth Annual General Meeting until the conclusion of the Seventeenth Annual General Meeting of the Company at a remuneration for each of them to be decided by the Board in consultation with the said Auditors."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Smt. Nethra Shenoy, IAS, who was appointed as Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from members proposing her candidature for the office of Director alongwith deposit of Rs.500/- be and is hereby appointed as Director of the Company."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri G. Subba Rao, IAS, who was appointed as Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing from members proposing his candidature for the office of Director alongwith deposit of Rs.500/- be and is hereby appointed as Director of the Company."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and any other approvals that may be necessary, the Company hereby accords its approval and consent to the reappointment of Shri Vasant Shah as Managing Director of the Company for a further period of 2 (two) years with effect from 1st June, 1999 on the following terms and conditions :

1. Salary : Rs. 40,000/- p.m.

2. Perquisites : Will be allowed in addition to salary as under -

(A) (i) The Company shall provide fully furnished accommodation to the Managing Director. If the Managing Director is not provided accommodation by the Company, the Company shall pay House Rent Allowance at the rate of 60% of the salary.

(ii) The Company shall provide equipment & appliances, furniture & fixtures and furnishings at the residence to the Managing Director. The Company shall reimburse expenses of gas, electricity, water, etc. The expenditure on these, valued in accordance with the Income-Tax Rules, shall not exceed 10% of the salary.

(iii) Medical expenses for self and family including insurance premia under medical insurance scheme shall be reimbursed by the Company, subject to a ceiling of Rs. 40,000/- per annum.

(iv) The Company shall reimburse annual fees for two clubs.

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- (v) The Company shall pay personal accident insurance premia upto Rs. 4,000/- per annum.
- (B) (i) The Company shall contribute 12% of the salary to the Provident Fund.
- (ii) The Company shall contribute towards pension fund/superannuation provided that such contribution together with contribution to Provident Fund shall not exceed the limit laid down under the Income-tax Act.
- (iii) The Company shall pay gratuity at the rate of half a month's salary for each completed year of service.
- (C) (i) The Company shall provide a car with driver for personal use and office work. Use of car for private purposes shall be billed by the Company.
- (ii) The Company shall provide telephone at the residence of the Managing Director.
- (iii) The Managing Director shall be entitled to one month's privilege leave for every eleven month's service.
- (iv) The Managing Director shall also be entitled to reimbursement of entertainment expenses incurred in the ordinary course of business of the Company.

FURTHER RESOLVED that in the event of inadequacy or absence of profits in any financial year, Shri Vasant Shah, Managing Director be paid the above salary, perquisites and benefits as the minimum remuneration subject to the ceiling as prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956.

FURTHER RESOLVED that the Board of Directors of the Company be and are hereby authorised to take all necessary steps as may be required to give effect to the above resolutions."

NOTES

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under items 4 to 7 set above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. Members are requested to intimate immediately, change of address, if any, to the Company quoting reference of their Registered Folio Number.
4. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
5. Members/Proxies are requested to bring the copy of their Annual Report alongwith them.
6. Members desiring any information about Accounts at the meeting are requested to write to the Company at least 5 days prior to the Annual General Meeting.

By Order of the Board of Directors

Ahmedabad
July 30, 1999

KANCHAN ARORA
Company Secretary

Registered Office :
1st Floor,
Hasubhai Chambers,
Opp: Town Hall,
Ellis Bridge,
Ahmedabad 380 006

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EXPLANATORY STATEMENT

The following Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956 set out all material facts relating to the Special Business mentioned in the accompanying Notice dated 30th July, 1999.

ITEM NO. 4 : Section 224A of the Companies Act, 1956, provides that in the case of a Company of which not less than 25% of the subscribed capital is held either singly or in combination by Public Financial Institutions, Government Companies etc., the appointment or reappointment of an Auditor of that Company has to be made by a Special Resolution.

Since the combined shareholding of GIIC, GACL, GSIL, GIDC, UTI and Gujarat Maritime Board in the Company exceeds 25% of the subscribed capital of the Company, a Special Resolution is required to be passed to reappoint M/s. C.C. Chokshi & Company, Chartered Accountants, Ahmedabad and M/s Kapoor & Company, Chartered Accountants, Ahmedabad as Auditors of the Company on the terms and conditions as mentioned in the resolution.

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

ITEM NO. 5 : Smt. Nethra Shenoy, IAS who was appointed as an Additional Director of the Company by the Board of Directors on 23rd September, 1998, pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of the forthcoming Annual General Meeting of the Company is eligible for appointment. The Company has received notice in writing from some members proposing her candidature for the office of Director, under the provisions of Section 257 of the Act.

The Directors recommend the appointment of Smt. Nethra Shenoy, IAS, to the Board of the Company.

Smt. Nethra Shenoy, IAS is interested in this resolution as it concerns her. No other Director is interested in this resolution.

ITEM NO. 6 : Shri G. Subba Rao, IAS who was appointed as an Additional Director of the Company by the Board of Directors on 30th July, 1999 pursuant to Section 260 of the Companies Act, 1956 and who holds office only upto the date of the forthcoming Annual General Meeting of the Company is eligible for appointment. The Company has received notice in writing from some members proposing his candidature for the office of Director, under the provisions of Section 257 of the Act.

The Directors recommend the appointment of Shri G. Subba Rao, IAS, to the Board of the Company.

Shri G. Subba Rao, IAS is interested in this resolution as it concerns him. No other Director is interested in this resolution.

ITEM NO. 7 : Shri Vasant Shah was re-appointed as Managing Director of the Company by the Board of Directors for a further period of two years with effect from 1st June, 1999 subject to the approval of the Members at the General Meeting.

Shri Vasant Shah has been the Managing Director of the Company since 1st June, 1994 and has vast experience in the field of finance. The Board of Directors felt that it is in the interest of the Company to continue to avail services of Shri Vasant Shah.

The Board recommends the resolution as set out in item No.7 of the Notice to the Members for their approval.

None of the Directors except Shri Vasant Shah, is concerned or interested in the said resolution.

The terms of appointment and remuneration as referred to, in the text of the resolution be treated as an abstract of the terms of contract for re-appointment of Shri Vasant Shah as Managing Director under the provisions of Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Ahmedabad
July 30, 1999

KANCHAN ARORA
Company Secretary

Registered Office :
1st Floor,
Hasubhai Chambers,
Opp: Town Hall,
Ellis Bridge,
Ahmedabad 380 006

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DIRECTORS' REPORT

The Shareholders

Gujarat Lease Financing Limited

Ahmedabad

Your Directors present the Sixteenth Annual Report of your Company together, with the Audited Accounts drawn for the year ended 31st March, 1999.

Particulars	Rupees in Crores	
	Year ended 31.03.99	Year ended 31.03.98
Total Income	151.68	234.58
Profit for the year before Depreciation, Provision for NPA and Taxation	27.52	63.33
Depreciation	63.86	62.97
Provision for NPA/Bad debts	44.57	39.82
Less : Amount transferred from General Reserve	(22.48)	39.82
Taxation	—	0.04
Profit/(Loss) after Taxation	(58.43)	0.32

Your Company has suffered a major setback in its operating results in the year under review. Income has dipped from Rs. 235 crores in 1997-98 to Rs. 152 crores in 1998-99. The Company has incurred a loss, before provision for NPA, of Rs. 36.34 crores.

The recessionary conditions in the economy affected industry for the third year in a row. The economic slowdown crept up on the automobile sector as well which for the first time in so many years saw a downswing in demand and an increase in the level of delinquencies. The transport sector registered a negative growth and freight rates remained under pressure. The entry of new models brought in its wake, discount wars, fall in resale prices of cars and the emergence of manufacturer assisted NBFCs. Further, new entrants like banks and international finance companies had a natural advantage of lower cost funds. Since supply outstripped demand, competitive pressures from these players resulted in a downward price spiral, eroding margins and making new business unviable. Against this backdrop, the Company has been compelled to slowdown its retail lending activity which has been the mainstay of the operations of the Company in the past few years. The shrinking volumes have had the most direct and telling impact on operating income which in turn had an adverse effect on profitability.

At the same time the corporate portfolio of the Company has been affected by delayed payments and defaults. Industries that were hit hard by recessionary forces were Cement, Steel, Textiles, Paper and the small scale sector where the Company has significant exposure. The immediate fallout of the economic slowdown has been the increasing level in delinquencies.

The deterioration in the corporate portfolio coincided with the imposition of stiff provisioning norms by RBI. 100% provisioning on NPAs including principal component of future receivables and stringent income recognition norms have impacted operating results sharply. Further, a large number of corporates have

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resorted to BIFR under SICA which has severely hampered the Company's recovery efforts against them.

Other business activities like bills discounting, ICDs, fee based activities like syndication, bought-out-deals have also disappeared and income from these activities has dried up. The capital market has also been depressed till recently. Hence, income from this sphere of operations has also not been forthcoming.

The above factors have not been unique to your Company but have affected the NBFC industry as a whole which has seen a major shakeout in recent years. The smaller and medium scale players who could not weather the changes in the environment have been routed. Your Company is exploring a change in product mix, tightening credit norms and stepping up recovery efforts to improve its asset portfolio.

Turnaround Plan

The Company has formulated a turnaround plan to revive its operations. It is proposed to undertake strategic alliances with large/multinational finance companies and banks to undertake leasing/hire purchase business under Agency Arrangements which will obviate the generation of NPAs and contribute to the profitability of the Company.

The Company is also exploring the possibility of re-organisation of its product mix, divestment of securities with low yield and reduction in cost of funds. The Company has made concerted efforts at stepping up recovery and NPA management. The Company has embarked on cost reduction plans aimed at optimisation of operating efficiencies and maximisation of profitability. As mentioned above, competitive pressures coupled with recessionary conditions in the retail market have led to a drop in lending rates. This has made lowering of cost of funds critical both for sustaining present operations and undertaking new business. The Company is taking steps to reduce the cost of funds and thereby impart viability to its operations.

The Company has further attempted to streamline its management and control systems which has led to identification and closure of unviable branches and branches where merger with nearby branches was more cost effective. This has resulted in considerable saving in overheads and rationalisation of manpower. Manpower as a consequence, reduced from 460 as on 1.1.98 to 323 on 31.3.99. The number of branches have come down from 35 to 23.

Since the close of the financial year, your Company has entered into a strategic alliance with HSBC for marketing of the latter's products as Associate/Direct Marketing Agents. The tie-up will have the advantage of generating additional income to the Company, besides utilising the infrastructure/network of the Company and activating the presence of the Company in the retail market.

Resources

Your Company values the confidence of the Commercial Banks and is grateful to them for their unstinted support in the trying times faced by the Company in the year under review. The outstandings in working capital limits extended by banks at the close of financial year aggregated Rs. 197 crores.

Fixed Deposits

The fixed deposit base of the Company stood at Rs. 162 crores as on 31.03.99. At the close of the year, there were 3744 deposits aggregating Rs. 424.56 lacs remaining unclaimed/ unrenewed by the depositors. Your Company presently enjoys a rating of "MB" for its Fixed Deposit programme. The Company has

stopped mobilisation and renewal of fixed deposits with effect from September, 1998. The Company values the confidence and trust reposed by the investing public and has always honoured its commitments on maturity. The Company is confident that the same trust and confidence will be endorsed by its investors in future.

Subsidiaries

GLFL Housing Finance Limited

During the year under review, GLFL Housing Finance Limited sanctioned loans aggregating Rs. 29.14 crores and disbursed Rs. 26.67 crores. The Company achieved a total income of Rs. 17.26 crores and a net profit of Rs. 2.59 crores in 1998-99 as against Rs. 16.44 crores and Rs. 1.95 crores respectively in the previous year. The Union Budget of 1999 has given a major boost to the industry by way of concessions and policy initiatives including tax breaks to individuals, corporates and Housing Finance Institutions, which augurs well for the prospects of the industry in the years to come.

The audited accounts of this Subsidiary Company for the year ended 31st March, 1999, together with the Directors' Report, are attached to the Accounts pursuant to the provisions of Section 212 of the Companies Act, 1956.

GLFL Securities Limited

The Capital market continued to be sluggish this year. GLFL Securities Ltd has surrendered its National Stock Exchange membership card and has discontinued trading activities on Mumbai and Ahmedabad Stock Exchanges. The Company is aggressive in its recovery efforts and rectification of bad deliveries.

The audited accounts of this Subsidiary Company for the year ended 31st March 1999, together with the Directors' Report, are attached to the Accounts pursuant to the provisions of Section 212 of the Companies Act, 1956.

GLFL International Limited

The Company is yet to commence business.

GLFL Realities Limited

The Company is yet to commence business.

Human Resources

Your Directors wish to place on record their appreciation of the dedication and efforts of all the employees.

The information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, forms part of this report. However the information is not being sent along with the annual report and any shareholder interested in obtaining such information may write to the Registered Office of the Company.

Y2K Compliance

The Company has identified the areas of operations / functions / systems requiring Y2K compliance. Some of the areas have already been made Y2K compliant. Action is already on for making the remaining areas Y2K compliant. The entire process, including preparation of contingency plan, is expected to be over by September 30, 1999.

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Stock Exchanges

The Company's shares are listed on Ahmedabad, Mumbai, National and Vadodara Stock Exchanges while 'Series-F' Debentures are listed on Ahmedabad, Mumbai and National Stock Exchanges. The Company has paid the necessary listing fees for the year 1999-2000.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

The Company has no activities relating to conservation of energy or technology absorption. The Company had foreign exchange outgo of Rs 6.07 lacs during the year under review.

Management

Shri K. K. Sureka and Shri C. K. Koshy, IAS Directors of the Company, relinquished office w.e.f. July 30, 1999. The Board of Directors place on record their appreciation of the valued advice and guidance given by Shri K. K. Sureka and Shri C. K. Koshy, IAS during their term as Directors of the Company.

Smt. Nethra Shenoy, IAS and Shri G. Subba Rao, IAS were appointed as Additional Directors and hold office till the conclusion of the ensuing Annual General Meeting. The Board welcomes Smt. Nethra Shenoy, IAS and Shri G. Subba Rao, IAS and looks forward to benefit from their vast and valuable experience. Pursuant to the provisions of the Companies Act, 1956, and Articles of Association of the Company, Shri Sudhir Mehta and Shri Samir Mehta retire by rotation and are eligible for re-appointment.

Auditors

The Board proposes to reappoint M/s. C. C. Chokshi & Company, Chartered Accountants, Ahmedabad and M/s. Kapoor & Company, Chartered Accountants, Ahmedabad, as the Statutory Auditors of the Company for the year 1999-2000. They will hold office until the conclusion of the next Annual General Meeting. The Board recommends their appointment.

Acknowledgements

Your Directors are grateful to GIIC Ltd. and the Government of Gujarat for their continued guidance and support to the Company. The Directors are pleased to place on record their appreciation for the excellent support extended by the Commercial Banks and the Financial Institutions. The Board also would particularly like to express great appreciation of the understanding and support extended by the large family of Shareholders of the Company, as also by the other investors like Fixed Deposit Account holders and Debentureholders.

For and on behalf of the Board

Ahmedabad
July 30, 1999

DR. A. C. SHAH
Chairman

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AUDITORS' REPORT TO THE SHAREHOLDERS OF GUJARAT LEASE FINANCING LIMITED

We have audited the annexed Balance Sheet of Gujarat Lease Financing Limited as at 31st March, 1999 and also the Profit and Loss Account for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - a) 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.
 - b) 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 the Books.
 - c) The Balance Sheet and Profit and Loss Account, dealt with by this report, are in agreement with the Books of Account.
 - d) In our opinion, subject to Note No. 5 of Schedule No. 18 regarding Non-provision for diminution in the value of Investments, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) Attention is invited to the following notes in Schedule No. 18
 - (i) Note No. 5 regarding Non-provision in the accounts for diminution in the value of Investments.
 - (ii) Note No. 6 (a) regarding Non-provision for Bad & Doubtful Debts classified as Non Performing Assets in accordance with the Prudential Norms prescribed by the Reserve Bank of India and aggregating to Rs. 2504.73 lacs.
 - (iii) Note No. 9 regarding confirmation of balances of Sundry Debtors, Creditors and of Loans and Advances.

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together 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 :

- (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
- (ii) in the case of Profit & Loss Account, of the Loss for the year ended on that date.

FOR C.C. CHOKSHI & CO.
Chartered Accountants

FOR KAPOOR & CO.
Chartered Accountants

V. J. SHAH
Partner

SANJAY KAPOOR
Partner

Ahmedabad
May 26, 1999

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