

# ANNUAL REPORT 2001-2002

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**G/L/F/L**  
**Gujarat Lease Financing Limited**

## CORPORATE INFORMATION

### DIRECTORS\*

Mr. L. Mansingh, IAS  
 Mr. Chaman Kumar, IAS  
 Mr. Hasmukh Adhia, IAS  
 Mr. K.N. Pujara  
 Mr. Gautambhai Vimalbhai Shah  
 Mr. Deepak Dalal  
 Mr. T. P. Vijayasathy  
 Mr. Vasant Shah

*Chairman*

*Managing Director*

### COMPANY SECRETARY

Ms. Parul Khamar

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

### REGD. OFFICE

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

### BRANCH OFFICES

Ahmedabad, Bangalore, Baroda, Chennai, Chandigarh, Cochin,  
 Gandhidham, Hyderabad, Indore, Jaipur, Kolkata, Mumbai, New Delhi,  
 Pune, Rajkot, Surat & Udaipur.

\* as on 3rd May, 2002

## NOTICE

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of GUJARAT LEASE FINANCING LTD will be held on Saturday, 29th June, 2002 at 10.30 A.M. at Town Hall, Ellisbridge, Ahmedabad 380 006 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, 2002 and the Balance Sheet as at that date.
2. To appoint Directors in place of Shri Hasmukh Adhia, IAS and Shri Dheepak Dalal who retires by rotation and being eligible, offers themselves for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), 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 Nineteenth Annual General Meeting until the conclusion of the Twentieth 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."

### Note :

Section 224 of the Companies Act, 1956 provides that if not less than 25 % of the share capital of the Company is held either singly or in combination by Financial Institutions, Government Companies etc., then the appointment or re-appointment of an auditor of the Company has to be made by a Special Resolution.

### SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :  
 "RESOLVED THAT Shri L. Mansingh, 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."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :  
 "RESOLVED THAT Shri Chaman Kumar, 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."
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :  
 "RESOLVED THAT Shri Gautambhai Vimalbhai Shah 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."

### NOTES :

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under items 4 to 6 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. The Share Transfer Books and Register of Members will remain closed from Friday, 21st June, 2002 to Saturday, 29th June, 2002 [ both days inclusive ].
4. Members are requested to intimate immediately, change of address, if any, to the Company quoting reference of their Registered Folio No. / Client ID No.

**G/L/R/L**

5. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
6. Members/Proxies are requested to bring the copy of their Annual Report alongwith them.
7. 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  
May 3, 2002

**PARUL KHAMAR**  
Company Secretary

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

## 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 3rd May, 2002.

**ITEM NO.4 :** Shri L.Mansingh, IAS, who was appointed as an Additional Director of the Company by the Board of Directors on 5th July, 2001 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 L. Mansingh, IAS, to the Board of the Company.

Shri L. Mansingh, IAS is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

**ITEM NO. 5 :** Shri Chaman Kumar, IAS, who was appointed as an Additional Director of the Company by the Board of Directors on 12th October, 2001 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 Chaman Kumar, IAS to the Board of the Company.

Shri Chaman Kumar, IAS is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

**ITEM NO. 6 :** Shri Gautambhai Vimalbhai Shah, who was appointed as an Additional Director of the Company by the Board of Directors on 25th June, 2001 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 Gautambhai Vimalbhai Shah to the Board of the Company.

Shri Gautambhai Vimalbhai Shah is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

By Order of the Board of Directors

Ahmedabad  
May 3, 2002

**PARUL KHAMAR**  
Company Secretary

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

## DIRECTORS' REPORT

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

### FINANCIAL RESULTS

The highlights of the Financial Results are given below :

| Particulars                            | Year ended<br>31.03.2002 | (Rs. in lacs)<br>Year ended<br>31.03.2001 |
|--|--------------------------|---|
| Total Income                           | 2073                     | 3993                                      |
| Less: Expenditure                      | 1205                     | 1145                                      |
| Less: Depreciation                     | 1336                     | 2706                                      |
| Add: NPA Provisions no longer required | 4304                     | -   |
| Less : Provision for NPA               | -                        | 586                                       |
| Less : Bad Debts written off           | 3447                     | -   |
| Profit / (Loss) after tax              | 389                      | (444)                                     |
| Add: Profit/(Loss) brought forward     | (24913)                  | (24469)                                   |
| Balance Carried to Balance Sheet       | (24524)                  | (24913)                                   |

### YEAR UNDER REVIEW

The income for the year under review has decreased to Rs.2073 lacs from Rs.3993 lacs in 2000-01 on account of discontinuation of business since last 3 years.

The Company has earned profit of Rs.389 lacs as against net loss of Rs.444 lacs during 2000-01. The improved performance was mainly on account of recoveries from NPA clients, against which provision was made in earlier years. Of course, difficulties of NBFC industry, including your Company, are far from over.

The Company's strenuous efforts in recovery of its outstanding dues and collection, has helped in the repayment to depositors and E & F series debenture holders.

The Company has received the approval from the Hon'ble High Court of Gujarat on 28th January, 2002 sanctioning the Scheme of Compromise and Arrangement for Debenture holders - Series E & F. Accordingly, the Company has made adequate arrangement of fund to pay the liabilities of Rs. 5713 lacs to the Debenture holder Series E & F. To facilitate the payment of this amount, Torrent Private Limited has earmarked, interest-free fund of Rs. 11 crores and out of this, upto 31st March, 2002, Rs. 2 crore has been released towards payment to such Debenture holders. As on 31st March, 2002, the Company has released Rs. 4765 lacs on receipt of duly discharged debenture certificates from respective debenture holders. The Company is in process of making payment as per the scheme to the remaining debenture holders.

Also, the Company was successful, in its commitment to make payment to Banks and debenture holders series-G, as per Company's repayment plan, to a large extent, in spite of adverse circumstances.

Union Bank of India, one of the consortium member banks had filed winding up

petition under section 433 of the Companies Act, 1956 against Company in Hon'ble High Court of Gujarat. It has communicated to Bank of India, leader of Consortium, its decision to withdraw the petition. But the same is not withdrawn, till date.

Central Bank of India, one of the consortium member banks had filed a case for recovery of its dues against the Company in Debt Recovery Tribunal (DRT), Ahmedabad. The Company is defending the matter in the context of agreed repayment plan with the consortium of Banks, of which Central Bank of India is one of the members.

#### **FIXED DEPOSITS**

The company has neither accepted nor renewed any fixed deposits during the year. The outstanding principal liability of Fixed Deposits, as on 31st March, 2002, is Rs. 123 lacs, which is fully Escrowed with bank.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

##### **(i) NBFC Sector:**

As a part of the economic reforms, the government is reducing interest rate to lower the overall finance cost. In spite of this and other banking reforms, no major momentum is witnessed in credit off take by the industrial sector including core industries.

With falling interest rates and stiff competition and interest rate war from Banks and Financial Institutions, NBFC sector's growth is adversely affected. Like last two to three years, this year also, NBFC sector has suffered adversely, due to the following reasons:-

- Overall economic slowdown.
- Loss of faith in NBFCs by the investors due to default in the repayment of liabilities towards Deposits and Debentures.
- Increased competition from MNCs, Banks and FIIs, having access to cheaper cost of fund.
- Large-scale default by corporate clients taking shelter under BIFR.

##### **(ii) Company's performance:**

Looking to the overall economic scenario and adverse factors prevailing in the NBFC sector during the last three to four years, the management has decided not to do any further fund based business and to review the situation every year. To overcome the adverse circumstances and to service different stake holders to the extent possible, the Company has decided to take, *inter alia*, the following actions:-

- o Maximize recovery from both corporate & retail clients.
- o Reduce administrative expenses.
- o To pay the liability to the depositors, debenture holders and banks.

During the year, the Company has repaid major part of the deposits (balance deposits fully escrowed) and finalized repayment scheme, with High Court approval, for payment to the retail debenture holders.

##### **Outlook for the Company**

Since same circumstances are prevailing in the market, out look for the next year would remain same.

Having met the liabilities towards the depositors and retail debenture holders, the main thrust would be to finalise and meet the restructured repayment liability towards banks and "G" series debenture holders, through improved recovery efforts.

**(iii) Opportunities & Threats:**

There is currently very little opportunity for the Company to raise cheaper funds on a large scale to compete in the market. Company is facing competition from FIs, Banks and MNCs having wide network and large-scale low interest funds.

**(iv) Risks & Concerns:**

The Company is facing severe financial crunch due to default by corporate clients – many of them having taken shelter under the Sick Industrial Companies Act through BIFR, repayments from whom is negligible, if not nil.

**(v) Internal Control Systems and their Adequacy:**

The Company has proper and adequate system of internal controls looking to its size and business. The internal control systems of the Company are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data, and for maintaining accountability of assets.

**(vi) Human Resources:**

Though the Company is facing exit of talented employees due to its adverse financial position, it is getting maximum advantage from the remaining employees through motivation. Besides, Company has also recruited retired bank personnel to take care of maximizing recovery from the clients.

**(vii) Cautionary Statement:**

The Management Discussion and Analysis Report may contain certain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statements as important factors could influence the Company's operation such as Government policies, local, political and economic development.

**SUBSIDIARIES****GLFL Housing Finance Limited**

During the year under review, GLFL Housing Finance Limited has divested its substantial Housing Loan Portfolio along with liabilities in favour of LIC Housing Finance Ltd., w.e.f. 1st July, 2001. As a result, the Company's total income reduced to Rs.415 lacs and incurred a loss of Rs.16 lacs after providing Rs. 80.33 lacs for loss on sale of investments, as against total income of Rs.1528 lacs and profit of Rs.237 lacs for the year 2000-01. This divestments has facilitated the holding Company in repayment of liabilities vis a vis F & F series debenture holders.

The Audited Accounts of the subsidiary company for the year ended 31st March, 2002, 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**

As reported last year, the Company has not done any business of broking activities on Mumbai and Ahmedabad Stock-Exchanges and is looking out for prospective buyers for the membership cards. The Company has incurred a loss of Rs.10.03 lacs during the year, mainly due to demand of turnover fees by SEBI, as compared to the profit of Rs.1.08 lacs in 2000-01.

The Audited Accounts of the subsidiary company for the year ended 31st March, 2002, 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 has yet not commenced business.

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#### **GLFL Realities Limited**

The Company has yet not commenced business.

#### **EMPLOYEES**

The Directors wish to place on record their appreciation of the dedication and efforts of all the employees. The Company does not have any employee in the category as specified under Section 217(2A) of the Companies Act, 1956.

#### **STOCK EXCHANGE**

The Company's shares are listed on Ahmedabad, Mumbai, Vadodara and National Stock Exchanges. The Company has paid the necessary listing fees for the year.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.**

The Company has no activities relating to conservation of energy or technology absorption. There has been no foreign exchange earning or outgo during the year under review.

#### **DIRECTORS**

Shri G. Subba Rao, IAS, Smt. Nethra Shenoy, IAS and Prof. S. Sreenivas Rao, Directors of the Company, relinquished office as Directors. The Board of Directors place on record their appreciation of the valued advice and guidance given by Shri G. Subba Rao, IAS, Smt. Nethra Shenoy, IAS and Prof. S. Sreenivas Rao during their tenure as Directors.

Shri L. Mansingh, IAS, Shri Chaman Kumar, IAS and Shri Gautambahi Vimalbhai Shah were appointed as Additional Directors and hold office till the conclusion of the ensuing Annual General Meeting.

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Hasmukh Adhia, IAS & Shri Deepak Dalal, Directors of the Company retire by rotation and are eligible for re-appointment.

#### **CORPORATE GOVERNANCE REPORT**

A separate report on Corporate Governance is furnished as a part of the Directors' Report and the certificate from the Company's Auditors regarding compliance of conditions of Corporate Governance is annexed to the said Report.

#### **AUDITORS' REPORT**

Notes on accounts are self-explanatory and do not require any further explanations on the Auditors' qualifications.

#### **AUDITORS**

The Board proposes to reappoint M/s. C.C. Chokshi & Company, Chartered Accountants, Ahmedabad and M/s. Kapoor & Company, Chartered Accountants, Ahmedabad, as Statutory Auditors of the Company for the year 2002-03. They will hold office until the conclusion of the next Annual General Meeting. The Board recommends their appointment.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

- (1) In the preparation of the annual accounts, the applicable accounting standards as specified by the Institute of Chartered Accountants of India have been followed alongwith proper explanation relating to material departures except:

Non-provision of interest aggregating to Rs. 2522.07 lacs on Demand Loan and Working Capital Loans availed and utilized from Banks and on Non-Convertible Debentures - Series G. (Refer note no. 3)



- (2) The Accounting Policies have been applied consistently subject to deviations mentioned in (1) above and judgments and estimates that have been made for the preparation of the accounts are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the Company for the year;
- (3) Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and taken steps to safeguard the assets of the Company and to prevent fraud and irregularities;
- (4) Statement of accounts have been prepared on a going concern basis as the restructuring proposal is under negotiation with Bankers and "G" Series Debenture holders and also subject to deviations mentioned in (1) above.

#### ACKNOWLEDGEMENTS

Your Directors are grateful to GILC Limited, the Government of Gujarat and Torrent Group 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.

The Board also would particularly like to express great appreciation for the understanding and support extended by the large family of Shareholders of the Company as also by the other investors like Fixed Deposit holders and Debenture holders.

For and on behalf of the Board

Ahmedabad

**L. Manasingh, IAS**

May 3, 2002

*Chairman*

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**Q/L/P/L**

# CORPORATE GOVERNANCE REPORT

## 1. Philosophy

The Company's philosophy on Corporate Governance envisages commitment to ensure customer satisfaction through better services and satisfaction of grievances if any, of all its share holders consistent with fairness to all the stakeholders and with due concern for social responsibility.

## 2. Board of Directors

### Composition of Board

The Board of Directors of the Company comprises of eight Directors, of which Managing Director is Executive Director and all others are non Executive as well as Independent Directors.

| Directors                       | Category | Attendance Particulars |          | Directorships in other Public Ltd. Cos. | Committee Memberships** |          |
|---------------------------------|----------|------------------------|----------|---|-------------------------|----------|
|                                 |          | Board Meeting          | Last AGM |   | Member                  | Chairman |
| Shri L. Mansingh, IAS*          | CM       | 2                      | No       | 7                                       | 1                       | -        |
| Shri Chaman Kumar, IAS*         | DIR      | 1                      | No       | 6                                       | -                       | -        |
| Shri Hasmukh Adhia, IAS         | DIR      | 4                      | No       | 19                                      | -                       | 2        |
| Prof. S. Sreenivas Rao @        | DIR      | 1                      | No       | -                                       | 1                       | -        |
| Shri Gautambhai Vimalbhai Shah* | DIR      | 3                      | Yes      | 8                                       | -                       | -        |
| Shri K.N.Pujara#                | ND       | 5                      | Yes      | 2                                       | 2                       | 1        |
| Shri Deepak Dalal               | DIR      | 4                      | Yes      | 7                                       | 1                       | -        |
| Shri T. P. Vijayasathya         | DIR      | 4                      | No       | 1                                       | 2                       | -        |
| Shri Vasant Shah                | MD       | 5                      | Yes      | 8                                       | 2                       | 1        |

CM-Chairman DIR-Director MD-Managing Director ND-Nominee Director

\*Appointed during the financial year 2001-02.

\*\*Includes only Audit and Shareholders/Investors Grievance Committee in all Public Limited Companies.

# Nominee Director of Unit Trust of India.

@ Resigned as Director during the financial year 2001-2002.

### Details of Board Meetings held during the year 2001-02:

| Date of Meeting | No. of Directors Present |
|-----------------|--------------------------|
| 05.05.2001      | 3                        |
| 25.06.2001      | 5                        |
| 25.07.2001      | 4                        |
| 12.10.2001      | 7                        |
| 23.11.2001      | 6                        |
| 11.01.2002      | 5                        |