

ANNUAL REPORT 2002-2003



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GUJARAT LEASE FINANCING LIMITED



CORPORATE INFORMATION

DIRECTORS

Mr. D. Rajagopalan, IAS *Chairman*
 Mr. Chaman Kumar, IAS
 Mr. C. L. Meena, IAS
 Mr. K.N. Pujara
 Mr. Deepak Dalal
 Mr. T. P. Vijayasathya
 Mr. Vasant Shah *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 Limited
 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 Limited
 Vijaya Bank
 Dhanlaxmi Bank Limited
 Development Credit Bank Limited
 Union Bank of India

REGD. OFFICE

6th Floor, Hasubhai Chambers,
 Opp. Town Hall,
 Ellisbridge,
 Ahmedabad - 380 006

BRANCH OFFICES

Ahmedabad, Baroda, Cochin, Mumbai, New Delhi, Rajkot, Surat

REGISTRARS & TRANSFER AGENTS

MCS Limited
 101, Shatdal Complex, Opp. Bata Show Room,
 Off Ashram Road, Ahmedabad-380 009.

NOTICE

NOTICE IS HEREBY GIVEN THAT the 20th Annual General Meeting of GUJARAT LEASE FINANCING LIMITED will be held on Friday, 11th July, 2003 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, 2003 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Chaman Kumar, IAS and Shri T.P.Vijayarathy, 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, the retiring Auditors be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of the 20th Annual General Meeting until the conclusion of the 21st Annual General Meeting of the Company at a remuneration to be decided by the Board in consultation with the said Auditors".

Note :

In terms of Section 224(A) of the Companies Act, 1956 a Special Resolution is proposed to be passed for the re-appointment of the Auditors of the Company as the aggregate of the Shareholdings of the Financial Institutions and Government Companies exceed 25% of the subscribed capital of the Company.

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 B.Rajagopalan, 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 C.L.Meena, 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 along with 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 and 5 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 Thursday, 3rd July, 2003 to Friday, 11th July, 2003 (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 I D No.
5. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.

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6. Members/Proxies are requested to bring the copy of their Annual Report along with 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 17, 2003

PARUL KHAMAR
Company Secretary

Registered Office :
6th Floor, Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad-380 006.

EXPLANATORY STATEMENT

The following Explanatory Statement, 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 May 17, 2003.

ITEM NO.4 : Shri D.Rajagopalan, IAS, who was appointed as an Additional Director of the Company by the Board of Directors on 19th October, 2002 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 recommended the appointment of Shri D.Rajagopalan, IAS, to the Board of the Company.
Shri D.Rajagopalan, IAS is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

ITEM NO.5 : Shri C.L.Meena, IAS, who was appointed as an Additional Director of the Company by the Board of Directors on 19th October, 2002 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 recommended the appointment of Shri C.L. Meena, IAS, to the Board of the Company.
Shri C.L.Meena, IAS 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 17, 2003

PARUL KHAMAR
Company Secretary

Registered Office :
6th Floor, Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad-380 006.

DIRECTORS' REPORT

Your Directors present the Twentieth Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

The highlights of the Financial results are given below :

Particulars	Year ended 31.03.2003	(Rs. in lacs) Year ended 31.03.2002
Total Income	645	2073
Less: Expenditure	458	1205
Less: Depreciation	346	1336
Add : NPA Provisions no longer required	147	4304
Less : Bad Debt Written off	110	3447
Profit / (Loss) after tax	(122)	389
Add; Profit/(Loss) brought forward	(24524)	(24913)
Balance Carried to Balance Sheet	(24646)	(24524)

YEAR UNDER REVIEW

The income for the year under review has decreased to Rs.645 lacs from Rs. 2073 lacs in 2001-2002, on account of discontinuation of business since last 4 years.

The Company incurred loss of Rs.122 lacs during the year as against the profit of Rs.389 lacs for the previous year. This was consequent to completion of the plan period of live Lease/HP accounts during the year. However, the Company has been able to recover an amount of Rs. 70 lacs from NPA accounts, against which provision was made in earlier years.

The Company continued its strenuous efforts towards recovery of its overdues to meet the liabilities. The Company has discharged the balance liabilities towards the debenture series E & F, as per the scheme of compromise and arrangement approved by Hon'ble High Court of Gujarat.

The Company has formulated Scheme of rearrangement under section 391 of the Companies Act, 1956 to discharge its liabilities towards Bank & G series Debenture holders. For this purpose, the Company has filed an application with Hon'ble High Court of Gujarat. As per the Court directives, an amount of Rs.812 lacs is deposited with Bank, in No Lien Account.

Union Bank of India, one of the consortium member banks had filed winding up petition Under Sec. 433 of the Companies Act, 1956 against the Company in Hon'ble High Court of Gujarat. The bank has decided to withdraw the petition. However, pending joint documentation, it has not yet withdrawn the petition.

Central Bank of India and Andhra Bank have filed recovery suits before Debt Recovery Tribunal (DRT), Ahmedabad. The Company is defending the matter in the court.

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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, 2003 is Rs. 77.83 lacs, which is fully Escrowed with bank.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**(i) NBFC SECTOR:**

As reported last year, interest rates continued to decline. In spite of lower interest rates, no major momentum is witnessed in credit off take by the industrial sector, including core industries.

This year also, NBFC sector's growth is adversely affected due to high liquidity crunch in the market, lower interest rates and competition from Banks, FIs and MNCs.

(ii) Company's performance

Looking to the overall economic scenario and adverse factors prevailing in the NBFC sector, the management has decided to focus on recoveries and meet the liabilities. To overcome the adverse circumstances, the Company has decided to take, *inter alia*, the following actions:-

- Maximize recovery from both corporate & retail clients.
- Reduce administrative expenses.
- To pay the liability to its debenture holders and banks to the extent possible.

Outlook for the Company

The Company has initiated actions to settle the liabilities through Scheme of Arrangement towards Banks and G-series Debenture holders. Once the Scheme is sanctioned by the Hon'ble High Court, it would be possible to take up non fund based activities or any other future plans.

(iii) Opportunities & Threats:

In the current scenario, it is very difficult to raise low cost funds and therefore, there is no opportunity for any fund based activities in the near future. The Company is facing competition from FIs, Banks and MNCs, which have wide network and large quantum of 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 Industries Companies Act (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 proportionate 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 attrition of talented employees due to its adverse financial position, it is continuous to get support from the present employees who have high motivation level.

(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 operations such as Government policies, political and economic development.

SUBSIDIARIES**GLFL Housing Finance Limited**

GLFL Housing Finance Limited has already divested its substantial Housing Loan Portfolio along with liabilities in favour of LIC Housing Finance Ltd. As a result, the Company's total income has reduced considerably. The Company has earned a profit of Rs.3.99 lacs as against loss of Rs.16.20 lacs in 2001-2002.

The Audited Accounts of the subsidiary company for the year ended 31st March, 2003 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 for prospective buyers for the membership cards. The Company has incurred a loss of Rs.2.00 lacs during the year as against loss of Rs.10.03 lacs during previous year.

The Audited Accounts of the subsidiary Company for the year ended 31st March, 2003 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.

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. L.Mansingh, IAS and Shri Hasmukh Adhia, IAS, Directors of the Company, relinquished office as Directors. The Board of Directors place on record their appreciation for the valued advice and guidance given by Shri L. Mansingh, IAS and Shri Hasmukh Adhia, IAS during their tenure as Directors.

Shri D. Rajagopalan, IAS and Shri C.L. Meena, IAS 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 Chaman Kumar, IAS and Shri T.P. Vijayaseethy, 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 requires any further explanations on the Auditors' qualifications.

AUDITORS

M/s Kapoor & Co., the joint Auditors have shown their unwillingness to continue as Auditors for the year 2003-2004.

The Board proposes to reappoint the other joint Auditors M/s. C.C. Chokshi & Company, Chartered Accountants, Ahmedabad as Statutory Auditors of the Company for the year 2003-2004. They will hold office until the conclusion of the next Annual General Meeting. The Board recommends their re-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.1606.40 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 GIK 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 would also 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
May 17, 2003

D. Rajagopalan, IAS
Chairman

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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 7 Directors, of which Managing Director is Executive Director and all others are Non Executive as well as Independent Directors.

Directors	Category	Attendance Particulars		Chairmanship/ Directorships in other Public Ltd. Cos.	Committee Memberships**	
		Board Meeting	Last AGM		Member	Chairman
Shri D. Rajagopalan, IAS*	CM	1	No	10	—	—
Shri Chaman Kumar, IAS	DIR	—	No	6	—	—
Shri C. L. Meena, IAS*	DIR	1	No	13	—	—
Shri L. Mansingh, IAS@	DIR	2	Yes	—	—	—
Shri Hasmukh Adhia, IAS@	DIR	1	No	—	—	—
Shri K. N. Pujara#	ND	4	Yes	2	2	2
Shri Deepak Dalal	DIR	4	Yes	4	2	—
Shri T. P. Vijayarathy	DIR	3	No	1	3	—
Shri Vasant Shah	MD	5	Yes	8	2	1

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

*Appointed during the financial year 2002-2003.

**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 2002-2003.

Details of Board Meetings held during the year 2002-2003

Date of Meeting	No. of Directors Present
03.05.2002	5
29.06.2002	3
26.07.2002	4
19.10.2002	5
31.01.2003	4