

ANNUAL REPORT 2003-2004



G / L / F / L

GUJARAT LEASE FINANCING LIMITED

CORPORATE INFORMATION

DIRECTORS

Mr. D. Rajagopalan, IAS *Chairman*
 Mr. P. D. Vaghela, IAS
 Mr. K. N. Pujara
 Mr. Deepak Dalal
 Mr. Ajay Mehta
 Mr. Vasant Shah *Managing Director*

COMPANY SECRETARY

Ms. Parul Khamar

AUDITORS

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

BANKERS

Bank of India
 Dena Bank
 Bank of Baroda
 Canara Bank
 Federal Bank Limited
 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, Mumbai, New Delhi

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 21st Annual General Meeting of GUJARAT LEASE FINANCING LIMITED will be held on Saturday 3rd July, 2004 at 9.30 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, 2004 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Deepak Dalal, who retires by rotation and being eligible offers himself for re-appointment.
3. 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 & Co., 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 21st Annual General Meeting until the conclusion of the 22nd 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 224A of the Companies Act, 1956, a Special Resolution is proposed to be passed for the reappointment of the Auditors of the Company as the aggregate of the shareholdings of the Financial Institutions and Government Companies exceeds 25% of the subscribed capital of the Company.

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri P.D.Vaghela, 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".

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

"RESOLVED THAT Shri Ajay Mehta 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".

6. 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 approval that may be necessary, the Company hereby accords its approval and consent to the re-appointment of Shri Vasant Shah as Managing Director of the Company for further period from 1st June, 2004 to 31st March, 2006 on the terms and condition as referred above.

1. SALARY: Rs. 40,000/- (Rupees Forty Thousand only) per month.

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 and appliances, furniture and fixtures and furnishing at the residence to the Managing Director. The Company shall reimburse expenses of gas, electricity, water, furnishings 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.
- 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 purpose 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 for 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 authorized to take all necessary steps as may be required to give effect to the above resolution".

7. To consider and if thought fit to pass with or without modification (s), the following resolutions as a Special Resolution.

"RESOLVED THAT pursuant to Securities and Exchange Board of India (delisting of securities) Guidelines, 2003, the Company's equity shares be delisted voluntarily from the Stock Exchanges at Ahmedabad and Vadodara by complying the requirement of the aforesaid guidelines".

"RESOLVED FURTHER THAT the Managing Director be and is hereby authorized to take all necessary actions for delisting of securities voluntarily from the Stock Exchanges at Ahmedabad and Vadodara".

NOTES:

1. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under item 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. The Share Transfer Books and Register of Members will remain closed from Friday 25th June, 2004 to Saturday 3rd July, 2004 (both days inclusive).
4. Members are requested to intimate immediately, change of address if any, to the Company quoting reference of their Registered Folio Number.
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 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 21, 2004

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 21, 2004.

ITEM NO.4 : Shri P.D.Vaghela, IAS, who was appointed as an Additional Director of the Company by the Board of Directors on 30th January, 2004 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 P.D.Vaghela, IAS, to the Board of the Company.

Shri P.D.Vaghela, IAS is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

ITEM NO.5 : Shri Ajay Mehta, who was appointed as an Additional Director of the Company by the Board of Directors on 31st July, 2003 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 Ajay Mehta to the Board of the Company.

Shri Ajay Mehta is interested in this Resolution as it concerns him. No other Director is interested in this resolution.

ITEM NO. 6 : Shri Vasant Shah was reappointed as Managing Director of the Company by the Board of Directors for further period from 1st June, 2004 to 31st March, 2006 subject to approval of 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 and also well conversant with the affairs of the Company. 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. 6 of the notice to the members for their approval.

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

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

ITEM NO.7 : As per the Securities and Exchange Board of India (delisting of securities) Guidelines, 2003, listed company may delist its securities voluntarily by fulfilling the criteria of listing for a minimum period of three years on any exchange and an exit opportunity has been given to the investors at an exit price as determined in accordance with the 'Book Building Process'. An exit opportunity need not be given in cases where the securities continue to be listed on Stock Exchange having nation wide terminals. Presently, SEBI has specified the Mumbai Stock Exchange and National Stock Exchange as Stock Exchanges having nation wide trading terminals.

As per the guidelines and in view of the facts, there is hardly any trading of the company's securities at Ahmedabad and Vadodara Stock Exchanges, the Company now wishes to delist its equity shares voluntarily at Ahmedabad and Vadodara Stock Exchanges with the approval of the shareholders and complying with other conditions as may be specified by the concerned Stock Exchanges. The Equity Shares of the Company will continue to be listed at the Stock Exchanges at Mumbai and National Stock Exchanges which is having nation wide trading terminals.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board of Directors

Ahmedabad
May 21, 2004

PARUL KHAMAR
Company Secretary

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

DIRECTORS' REPORT

Your Directors present the Twenty First Annual Report of your Company together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

The highlights of the Financial results are given below :

Particulars	Year ended 31.03.2004	(Rs. in lacs) Year ended 31.03.2003
Total Income	167	645
Less: Expenditure	227	458
Less: Depreciation	9	346
Add : NPA Provisions no longer required	176	147
Less : Bad Debt Written off	85	110
Profit/(Loss) for the year	22	(122)
Add: Interest Written Back-G Series	241	—
Net Profit/(Loss)	263	(122)
Add : Profit/(Loss) brought forward	(24383)	(24524)
Less: Balance of General Reserve	2290	—
Balance Carried to Balance Sheet	(22093)	(24646)

YEAR UNDER REVIEW

The income for the year under review has decreased to Rs.167 lacs from Rs.645 lacs in 2002-03, on account of discontinuation of business since last 5 years.

The Company earned marginal profit of Rs. 22 lacs (prior to reversal of interest on G series debentures) during the year, as against the loss of Rs.122 lacs during the previous year. This was largely due to recovery from bad debts / NPA accounts, besides reduction in the administrative and other expenses.

The Company could recover Rs. 91 lacs from NPA accounts, against which provision was made in earlier years and Rs. 106 lacs from accounts written off in the previous years.

The Company has discharged the liability towards G -Series debenture holders in accordance with the scheme of Compromise and Arrangement, under section 391 of the Companies Act.

The Company has also formulated Scheme of Compromise and Arrangement under section 391 of Companies Act to discharge its liabilities towards the banks. For this purpose, the Company has submitted an application to Hon'ble High Court of Gujarat. In the meeting of consortium of banks held on 8th May, 2004, the scheme was approved by requisite majority. On sanction of the scheme by the Hon'ble High Court, the balance payment would be made. The liability of the banks would get settled completely.

The Company has been vigorously pursuing legal cases. The company will continue its efforts on the recovery front.

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.

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, 2004, is Rs. 58 lacs, which is fully escrowed with bank.

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

The entire NBFC sector faces pressure from the banking sector, which enjoys access to the low cost fund. The spreads in the lending business have narrowed considerably. Therefore, NBFC sector's performance is adversely affected in terms of volume of business and profitability, during this year too.

(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 towards banks to the extent possible.

Outlook for the Company

The Company has initiated actions to settle the liabilities through Scheme of Compromise and Arrangement with the banks under section 391 of the Companies Act. Once the Scheme is sanctioned by the Hon'ble High Court, it would be possible to decide further course of actions.

(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. Further the benefit of securitization Act is not extended to the NBFC Sector, so far.

(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 system of the Company is 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 continues 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.

TRANSFER TO THE INVESTOR EDUCATION FUND

In terms of Section 205 (C) of the Companies Act, 1956, an amount of Rs. 8,32,969/- being Unclaimed Dividend and Fixed Deposit have been transferred, during the year, to the Investor Education and Protection fund, formed by the Central Government.

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. Recovery from outstanding accounts has been the main thrust area during the year. The Company has been able to recover Rs. 38 lacs, from the overdue /NPA accounts, during the year under report. The Company has incurred loss of Rs.10.04 lacs during the year against profit of Rs.3.51 lacs during the previous year.

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. 5.93 lacs during the year, as against loss of Rs. 1.99 lacs during previous year.

GLFL International Limited

The Company has yet not commenced business.

GLFL Realities Limited

The Company has already made an application under Simplified Exit Scheme (SES) to Registrar of Companies under section 560 of the Companies Act for striking off the name of the company.

EMPLOYEES

The Directors wish to place on record their appreciation for 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 Chaman Kumar IAS, Shri. C.L.Meena, IAS and Shri T.P.Vijayasathy, 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 Chaman Kumar, IAS, Shri C.L.Meena, IAS and Shri T.P.Vijayasathy, during their tenure as Directors.

Shri P.D.Vaghela, IAS and Shri Ajay Mehta 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 Deepak Dalal, Director of the Company retires by rotation and is 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

The Board proposes to reappoint M/s. C.C. Chokshi & Company, Chartered Accountants, Ahmedabad as Statutory Auditors of the Company for the year 2004-2005. 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 along with proper explanation relating to material departures, except;

Non-provision of interest aggregating to Rs.1259.44 lacs on Demand Loan and Working Capital Loans availed and utilized from Banks (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 also subject to deviations mentioned in (1) above.

ACKNOWLEDGEMENTS

Your Directors are grateful to GIIC 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 in the difficult period.

For and on behalf of the Board

Ahmedabad
May 21, 2004

D. Rajagopalan, IAS
Chairman

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 stakeholders and with due concern for social responsibility.

2. Board of Directors

Composition of Board

The Board of Directors of the Company comprises of 6 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	5	Yes	9	—	—
Shri P. D. Vaghela, IAS*	DIR	—	No	10	—	—
Shri Chaman Kumar, IAS@	DIR	4	No	—	—	—
Shri C. L. Meena, IAS@	DIR	2	No	—	—	—
Shri K. N. Pujara#	ND	4	Yes	1	1	—
Shri Deepak Dalal	DIR	—	Yes	6	—	—
Shri T. P. Vijayasarathy@	DIR	2	No	—	—	—
Shri Vasant Shah	MD	6	Yes	9	5	1
Shri Ajay Mehta*	DIR	4	No	2	3	—

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

*Appointed during the financial year 2003-2004.

**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 2003-2004.

Details of Board Meetings held during the year 2003-2004:

Date of Meeting	No. of Directors Present
08.04.2003	3
17.05.2003	6
31.07.2003	5
18.10.2003	5
26.12.2003	4
30.01.2004	4