



MD	✓	BKC	✓
CS	✓	DPY	NA
RO	✓	DIV	NA
TRA	✓	AC	✓
AGM	✓	SH	✓
YE	✓		✓



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MAFATLAL FINANCE COMPANY LIMITED

BOARD OF DIRECTORS :

SHRI H.A. MAFATLAL *Chairman*
SHRI N. G. PATEL
SHRI J. R. GAGRAT
SHRI Y. C. AMIN
DR. A. C. SHAH
SHRI B. R. SHAH
DR. N. M. DHULDHOYA
SHRI N. K. PARIKH *(upto 21-6-98)*
SHRI ROHIT ARORA *(w.e.f. 30-6-98)*
SHRI N. R. DIVATE *Wholetime Director (w.e.f. 1-7-98)*

COMPANY SECRETARY :

SHRI GAURANG SHAH

BANKERS :

DENA BANK
STATE BANK OF INDIA
CENTRAL BANK OF INDIA
UNION BANK OF INDIA
BANK OF BARODA
BANK OF INDIA
STATE BANK OF INDORE
STATE BANK OF HYDERABAD
DHANALAKSHMI BANK LTD.
THE SAKURA BANK LTD.
BANK OF PUNJAB LTD.
THE SOUTH INDIAN BANK LTD.
ICICI BANKING CORPORATION LTD.
THE FEDERAL BANK LTD.
UNITED BANK OF INDIA

AUDITORS :

C.C. Chokshi & Co.
Chartered Accountants

SOLICITORS & ADVOCATES :

MANILAL KHER AMBALAL & CO.

REGISTERED OFFICE :

MAFATLAL HOUSE,
BACKBAY RECLAMATION,
MUMBAI - 400 020.

REGISTRARS & SHARE TRANSFER AGENTS:

MAFATLAL CONSULTANCY SERVICES (INDIA) LTD.
BITS HOUSE, JUKASO SILK MILLS COMPOUND,
ANDHERI KURLA ROAD, SAKINAKA,
ANDHERI (EAST), MUMBAI - 400 072.

MANAGEMENT TEAM :

SHRI H. A. MAFATLAL
Chairman

SHRI ROHIT ARORA
Director

SHRI N. R. DIVATE
Wholetime Director

SHRI SHOME SENGUPTA
Executive Director

SHRI K. CHANDRAMOULI
Vice President - Resources

SHRI S. M. KAKU
Financial Controller

SHRI S. N. BHATRI
Whole-time Director — Mafatlal Securities Ltd.

SHRI A. L. SHETTY
Whole-time Director — Mafatlal Securities Ltd.

NOTICE

Notice is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of MAFATLAL FINANCE COMPANY LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Bldg., 18/20 K. Dubhash Marg, (Rampart Row), Mumbai 400 001 on Friday the 4th September, 1998 at 4.00 p.m. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Y. C. Amin, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. A. C. Shah, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri B. R. Shah, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

6. To appoint a Director in place of Shri Rohit Arora who was appointed as an Additional Director by the Board of Directors and whose term of office expires at this Annual General Meeting under Section 260 of the Companies Act, 1956, and Article 139 of the Articles of Association of the Company, and in respect of whom the Company has received Notices in writing from Members proposing his candidature for the office of Director and signifying their intention to move the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT Shri Rohit Arora be and is hereby appointed as a Director of the Company."

7. To appoint a Director in place of Shri N. R. Divate who was appointed as an Additional Director by the Board of Directors and whose term of office expires at this Annual General Meeting under Section 260 of the Companies Act, 1956, and Article 139 of the Articles of Association of the Company, and in respect of whom the Company has received Notice in writing from Members proposing his candidature for the office of Director and signifying their intention to move the following Resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT Shri N. R. Divate be and is hereby appointed as a Director of the Company."

8. To consider and, if thought fit, to pass the following Resolution as an ORDINARY RESOLUTION with or without modification/s :

"RESOLVED THAT pursuant to Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approval as may be necessary under the provisions of the Act, the Company in General Meeting hereby approves the

appointment, the terms of appointment and the payment of remuneration to Shri N. R. Divate, as Wholetime Director for a period of 5 years from 1st July, 1998 on a salary, commission and perquisites payable to him in accordance with Schedule XIII of the Companies Act, 1956 or any amendment, modification or re-enactment thereof hereafter, as set out in the Explanatory Statement and the draft Letter of Appointment submitted to this meeting and duly initialled by the Chairman, for the purpose of identification with liberty to the Board of Directors to alter or vary the said terms of appointment and salary, commission and perquisites in such manner as the Board in its discretion deem fit and as acceptable to Shri N. R. Divate, within the limits specified in the Schedule XIII of the Companies Act, 1956 or any amendment or modification or re-enactment made hereafter in that regard.

By Order of the Board

For **MAFATLAL FINANCE COMPANY LIMITED**

GAURANG SHAH
Company Secretary

Registered Office :

Mafatlal House
Backbay Reclamation
Mumbai - 400 020.

Dated : 30th June, 1998

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER.
- b) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
- c) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday the 19th August, 1998 to Friday the 4th September, 1998 (both days inclusive).
- d) Members are requested to notify any change in their address to the Company's Registrars & transfer agents, Mafatlal Consultancy Services (I) Ltd. at Jukaso House, Jukaso Silk Mills Compound, Behind Orkay Silk Mills, Andheri Kurla Road, Andheri (E), Mumbai 400 073, quoting their folio nos. immediately, so as to ensure that all communications / Reports reach the Members promptly.
- e) All members who have either not received or have not encashed their Dividend Warrants for the financial years 1994-95, 1995-96 and 1996-97 are requested to write to the Company's R&T Agents at the abovementioned address quoting the relevant folio No(s).
- f) Shareholders seeking any information with regard to the Accounts of the Company are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

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ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956.

In respect of Item No. 6 :

Shri Rohit Arora was appointed by the Board of Directors of the Company at their meeting held on 30th June, 1998 as an Additional Director of the Company. Under the provisions of Section 260 of the Companies Act, 1956 and Article 139 of the Articles of Association of the Company, Shri Rohit Arora will hold office until this Annual General Meeting. Notices in writing have been received from some Members of the Company in accordance with Section 257 of the Companies Act, 1956, signifying their intention to propose Shri Rohit Arora as a candidate for the office of Director.

Shri Rohit Arora has vast and varied experience in the financial services business. His appointment as Director of the Company, therefore will be in the interest of the Company and as such, he is proposed as a Director of the Company.

None of the Directors of the Company is concerned or interested in this Resolution except Shri Rohit Arora who is proposed to be appointed as a Director.

In respect of Item No. 7 :

Shri N. R. Divate was appointed by the Board of Directors of the Company at their meeting held on 30th June, 1998 as an Additional Director of the Company. Under the provisions of Section 260 of the Companies Act, 1956 and Article 139 of the Articles of Association of the Company, Shri N. R. Divate will hold office until this Annual General Meeting. Notices in writing have been received from some Members of the Company in accordance with Section 257 of the Companies Act, 1956, signifying their intention to propose Shri N. R. Divate as a candidate for the office of Director.

Shri N. R. Divate has been Senior Executive of the Company since last 5 years. He is having rich experience in the Non-Banking Finance Sector and is fully conversant with the working of the Company. His appointment as a Director of the Company, will be in the interest of the Company. It is therefore proposed to appoint him as a Director of the Company.

None of the Directors of the Company is concerned or interested in this Resolution except Shri N. R. Divate who is proposed to be appointed as a Director.

In respect of Item No. 8 :

The Board of Directors of the Company had at its meeting held on 30th June, 1998 appointed Shri N. R. Divate as the Wholetime Director, for a period of 5 years with effect from 1st July, 1998 with substantial powers of management with remuneration and perquisites which are within the provisions stipulated under Schedule XIII of the Companies Act, 1956, more particularly mentioned hereunder, subject to the approval of the Members at the ensuing Annual General Meeting.

The material terms of his remuneration are as under :

- Salary of Rs. 60,000/- (Rupees Sixty Thousand only) per month in the scale of Rs. 60,000/- to Rs. 1,00,000/- with annual increment at the discretion of the Board/Chairman of the Company.
- Commission on the annual net profits of the Company of a particular financial year, computed in the manner laid down in Section 309 (5) of the Companies Act, 1956, as may be decided by the Board at its absolute discretion subject to the ceiling laid down in Sections 198 and 309 of the Companies Act, 1956, on total remuneration.

- Perquisites such as fully furnished house or house rent allowance in lieu thereof, expenses incurred on gas, electricity, water, furnishing, repairs, medical benefits for self and family, leave travel concession for himself and family, club fees, personal accident insurance and/or any other allowance provided that such perquisites be restricted to 75% of the annual salary.
- He shall be entitled to following, which shall not be included in the computation of perquisites for the purpose of calculating the ceiling.
 - Free use of Company's car with driver for the business of the Company. Use of the car for private purposes shall be billed by the Company.
 - Free Telephone facility at residence. All personal long distance calls shall be billed by the Company.
 - Reimbursement of expenses actually and properly incurred by him for the business of the Company.
- The salary and perquisites as mentioned above shall be exclusive of -
 - Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961. Gratuity payment not exceeding half a month's salary for each completed year of service and encashment of earned and unutilised privilege leave at the end of tenure.

The above remuneration payable to him shall be subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309(3) of the Companies Act, 1956, and the overall limit of 11% of the net profits of the Company as laid down in Section 198(1) of the said Act.

Notwithstanding anything to the contrary herein contained, where, in any financial year during the currency of the tenure of the Wholetime Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified above, subject to the limits of Part II of the Schedule XIII of the Companies Act, 1956.

He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof. He shall not be liable to retire by rotation as a Director.

The appointment of Shri N. R. Divate as Wholetime Director of the Company is terminable at 3 (Three) months' notice from either side.

Except Shri N. R. Divate, None of the other Directors of the Company are concerned or interested in the Resolution.

The above may be treated as an abstract as required under Section 302 of the Companies Act, 1956. The Directors recommend the Resolution for the approval of the Members.

By Order of the Board
For **MAFATLAL FINANCE COMPANY LIMITED**

GAURANG SHAH
Company Secretary

Registered Office :

Mafatlal House
Backbay Reclamation
Mumbai - 400 020.
Dated : 30th June, 1998.

DIRECTORS' REPORT

To,
The Members,
Mafatlal Finance Company Limited

Your Directors present the Eleventh Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

The Financial results of the Company for the year under review as compared to the previous year are summarised below for your consideration:

	Year ended 31.3.1998 (Rs. in lacs)	Year ended 31.3.1997 (Rs. in lacs)
Gross Income	12863.11	10612.17
Gross Profit before depreciation and Income tax	3487.73	2871.29
Depreciation	3272.17	2435.41
Provision for Tax	47.50	87.10
Net Profit after Tax	168.06	348.78
Add: Amount brought forward from previous year	531.36	1084.87
Amount available for appropriation	699.42	1433.65
Transferred to Debenture Redemption Reserve	665.80	489.00
Transferred to Statutory Reserve under RBI Act	33.62	69.75
Balance carried forward	—	531.36

DIVIDEND

The company has reported a higher Operating Profit as compared to the previous year, however, there is no distributable surplus after providing for increased depreciation and Debenture Redemption Reserve. Your Directors therefore do not recommend payment of any dividend for the year ended 31st March '98 on the paid up equity and preference share capital.

OPERATIONS

The year 1997-98 saw a major upheaval in the Non Banking Financial Sector consequent upon the failure of a large finance company and a few other small finance companies. This has created some sort of uneasiness in the minds of the investors/deposit holders. However, your company could withstand such pressures and could fulfill the obligations towards its Lenders and Deposit holders entirely.

In view of the scenario that prevailed during the year, the company had to come to terms with the situation and contain its operations rather than enter into high risk of lending and reduced margins business. The recent RBI regulations for NBFCs came as a severe blow. It drastically curtailed the mobilization of funds by way of fixed deposits. Some of the major restrictions imposed by RBI was linking upper limit of deposit amount to the credit rating, ceiling of interest rates, hike in SLR, Increase in capital adequacy norms and higher level of assets and income for being recognised as an Equipment Leasing Company.

The revised RBI regulations had a major impact on all NBFCs including your company as it had to curtail the mobilization of Fixed Deposits drastically and start refunding the excess deposit amount within the stipulated period to meet the RBI guidelines. In

view of the uncertainty in growth of public deposit as means of financing, the company has decided to tap more funds from the Banks and Financial Institutions. During the year the company therefore curtailed its fund based activities to greater extent and accelerated its efforts to earn more out of fee based activities.

In terms of RBI prudential norms for NBFCs, the company has to provide for diminution in value of unquoted investments and also for the value of non-performing assets. Accordingly, the company has provided Rs. 100.52 lacs towards diminution in the value of unquoted shares and Rs. 422.19 lacs in non-performing assets, and also reversed income to the extent of Rs. 461.41 lacs for the year. The management is confident that a number of these accounts would change the current status in future, when these provisions would have to be written back.

Due to sluggish growth, the operating Divisions of the company have not done well. The Lease and Hire purchase business of the company could end up with a disbursement of Rs. 2615 lacs recording a sizeable decline over the last year.

The severe constraints on the availability of funds also forced the Consumer Finance Division's activities of the company to go slow. The disbursements were at the level of Rs. 2286 lacs as against Rs. 12,220 lacs in the last year. The Division was mostly concentrating on the management of the receivables as delay/defaults in the payment of instalments were noticeable.

The Company has been facing resource crunch due to various limiting factors mainly RBI's decision to link public deposits to the credit rating. The company had to refund a large amount to the deposit holders to comply with the RBI norms. The aggregate Fixed deposit amount at the end of March '98 stood at Rs. 15635 lacs.

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At the end of financial year 4731 depositors have not claimed their deposits aggregating to Rs. 524 lacs. Excepting this, your Company does not have any unclaimed or unpaid deposits.

The continued bearish trend in the capital market also affected the operations of Company's Stock Broking subsidiary — Mafatlal Securities Limited. The said subsidiary has ended the year with a marginal profit of Rs. 3.04 lacs as against profit of Rs. 30.55 lacs in the previous year.

MUTUAL FUND

The company is in the process of receiving final approval from SEBI. It is hoped that the company would enter the market with its first scheme during the current year. The Asset Management Company has chalked out detailed plans for tapping the domestic funds during the current year. Efforts are being made to mobilise overseas funds exclusively for investing in Indian Debt Securities.

OUTLOOK

The Non Banking Finance Companies are in the process of shake out with the stringent RBI regulations and the limited avenues available to NBFCs for mobilising funds. It is expected that in the near future, the companies with sound financial base and who could fulfill various criteria laid down by RBI would be in a position to remain in business. The management is confident that your Company will emerge as one of the significant players in the industry.

The management hopes that the worse situation facing the NBFCs seems to be over and the business opportunities will increase significantly during the year 1998-99, whereby company could access cheaper funds for the deployment in the fund based activities. The company has taken several steps to improve its operating spreads and at the same time to curtail the overheads and increase income from services by leveraging its expertise and infrastructure, with a view to improve the profitability.

SHARE CAPITAL

During the year under review, the Company issued and allotted 8,20,700 – 14.5% Redeemable Cumulative Preference shares of Rs. 10/- each, fully paid up, aggregating to Rs. 82.07 lacs, on private placement basis. These Preference Shares are Redeemable 5 years after the dates of allotments.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts of Mafatlal Securities Ltd., Mafatlal Asset Management Company Ltd., and Sunanda Securities Pvt. Ltd., alongwith the report of the Board of Directors and Auditors' Report thereon for financial year ended 31st March, 1998 are annexed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGOING

The Company is not engaged in manufacturing activities therefore there is no information to submit in respect of conservation of energy and absorption of technology.

Foreign exchange earnings : NIL

Foreign exchange outgoing : Rs. 0.34 lacs

DONATIONS

During the year under review, the Company had made donations of Rs. 0.85 lac to different charitable institutions for their philanthropic activities.

DIRECTORATE

Shri N. K. Parikh, Managing Director of the Company has retired on 21-6-98 on the expiry of his 5 year term. The Board puts on record its appreciation for the services rendered by him as the Managing Director of the Company.

The Board at its meeting held on 30-6-98 appointed Mr. Rohit Arora as an Additional Director and Mr. N. R. Divate, a Senior Executive of the Company, as a Wholetime Director. The terms of appointment of Mr. N. R. Divate as a Wholetime Director has been set out in the Annexure to the Notice of the AGM.

Shri Y. C. Amin, Shri B. R. Shah and Dr. A. C. Shah retire by rotation at the ensuing Annual General Meeting, but being eligible offer themselves for reappointment.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 forms a part of this Report.

However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent excluding this information. Those members who are interested in obtaining such particulars may write to the Company Secretary at the Registered Office.

AUDITORS

The Company's Auditors M/s. C. C. Chokshi & Co., Chartered Accountants retire at the ensuing Annual General Meeting. They being eligible have given their consent to act as Auditors of the Company, if reappointed. Members are requested to consider their reappointment as Auditors of the Company for the current year and fix their remuneration.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the valuable support given by our Clients, Financial Institutions, Banks, Mutual Funds as well as the Shareholders, Debentureholders and Depositholders for their sustained support.

For and on behalf of the Board

H. A. MAFATLAL
Chairman

Place: Mumbai

Dated: 30th June, 1998.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of MAFATLAL FINANCE COMPANY LIMITED, as at 31st March, 1998 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in 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 purposes 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) Attention is invited to the following notes in Schedule No. 18 :

Note No. 7 regarding reconciliation of Interest payable on Fixed Deposit and Fixed Deposits received.

Note No. 10 regarding surplus of Rs. 1201.82 Lacs taken to Profit & Loss Account on transfer of certain investments to two partnership firms towards capital contribution.

Note No. 11 regarding adjustment of discount of Rs. 1664.79 Lacs on deep discount debentures issued by the Company against the Share Premium Account.

- e) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 1998; and
 - b) In the case of the Profit and Loss Account of the profit for the year ended on that date.

For **C. C. CHOKSHI & CO.**
Chartered Accountants

R. SALIVATI
Partner

Place : Mumbai
Date : 30th June, 1998.

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ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 1 of our report of even date on the accounts of MAFATLAL FINANCE COMPANY LIMITED for the year ended 31st March, 1998.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the company, other than those leased out, have been physically verified by the management during the year. Leased assets have been physically verified by the management during the year in accordance with the regular programme which in our opinion is reasonable having regard to the size of the company and the nature of its assets. Reconciliation of some of the assets verified with book records is in progress. In addition confirmations have also been received from few lessees in respect of leased assets, and are awaited from the remaining lessees.
2. None of the Fixed Assets have been revalued during the year.
3. The nature of the Companies activities is such that the requirements of items (xii), (xiv) and (xvi) of Clause A and item (i) of Clause C of paragraph 4 of the Order are not applicable to the Company.
4. The stocks of shares have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable.
5. The procedures of physical verification of stocks of shares followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
6. We are informed that no material discrepancies have been noticed on physical verification of stocks of shares as compared to the book records.
7. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks of shares is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
8. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company. The Company has not taken loans from firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956 and/or from Companies under the same management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
9. In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the companies listed in the register maintained under Section 301 of the Companies Act, 1956 and to the Companies under the same management as this company within the meaning of Section 370(1B) of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company. The company has deployed short term surplus funds with its subsidiary, interest free and payable on demand. These advances, in our opinion, may not be considered prima facie prejudicial to the interest of the company since the same have been made to the wholly owned subsidiary.
10. The parties (including employees) to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable other than non-performing loans for which provision has been made as per norms prescribed by Reserve Bank of India. The company is advised that Bills purchased are not in the nature of loans and advances.
11. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of plant and machinery, equipment and other assets.
12. Transactions of sale of services have been made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to more than Rs. 50,000/- in respect of each party. As explained to us, no similar services were rendered to other parties and hence the prices at which services have been rendered are not comparable.
13. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A of the Companies Act, 1956 and the directions issued by the Reserve Bank of India in respect of deposits received from the public except that the company is in the process of complying with Rule 6 regarding entrusting of approved securities (acquired by the Co. for maintenance of liquid assets) to the designated scheduled commercial bank.
14. In our opinion, the company's internal audit system, operated by firms of Chartered Accountants, is commensurate with the size and nature of its business.
15. According to the records of the company, Provident Fund and Employee State Insurance dues have been regularly deposited with the appropriate authorities.
16. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty as on 31st March, 1998 were outstanding for a period of six months from the date they became payable.
17. According to the information and explanations given to us, no personal expenses of the employees or directors have been charged to the revenue account, other than those payable

- under the contractual obligations or in accordance with the generally accepted business practice.
18. The provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the company being a finance company.
19. The nature of the service activities carried on by the company does not require a system of recording receipts, issues and consumption of materials and allocation thereof and labour to jobs. Further, the question of having a system of authorisation and internal control on issue of stores and allocation of stores and labour does not arise.
20. In our opinion, adequate documents and records are maintained by the company in respect of loans and advances on the basis of security by way of pledge of shares.
21. We are informed that the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual benefit Society are not applicable to the Company.
22. The Company has maintained records of the transactions and contracts of dealing or trading in shares and timely entries have been made therein. The shares, securities, debentures and other investments are in the name of the Company except the shares referred to in Schedule 6.

For C. C. CHOKSHI & CO.
Chartered Accountants

R. SALIVATI
Partner

Place : Mumbai
Date : 30th June, 1998.

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BALANCE SHEET AS AT 31ST MARCH, 1998

	Schedule No.	Rs. 000's	Rs. 000's	AS AT 31.3.1997 Rs. 000's
A. SOURCES OF FUNDS				
1. Shareholders' Fund				
a. Capital	1	324,467		316,237
b. Reserves and Surplus	2	574,133		729,180
			898,600	1,045,417
2. Loan Funds				
a. Secured Loans	3	2,063,863		1,840,293
b. Unsecured Loans	4	1,948,106		2,611,645
			4,011,969	4,451,938
TOTAL			4,910,569	5,497,355
B. APPLICATION OF FUNDS				
1. Fixed Assets	5			
a. Gross Block		3,091,101		2,863,899
b. Less: Depreciation		722,024		438,168
		2,369,077		2,425,731
c. Add: Lease Terminal Adjustment Account		(116,382)		161,028
			2,252,695	2,586,759
2. Investments	6		827,896	770,022
3. Current Assets, Loans and Advances				
a. Current Assets	7	1,246,518		1,547,514
b. Loans and Advances	8	1,104,675		1,280,422
		2,351,193		2,827,936
Less : Current Liabilities and Provisions	9			
a. Liabilities		513,882		643,249
b. Provision		7,333		44,113
		521,215		687,362
Net Current Assets			1,829,978	2,140,574
TOTAL			4,910,569	5,497,355
Notes to Accounts and Significant Accounting Policies.	18			

As per our Attached Report of even date

For **C. C. CHOKSHI & CO.**
Chartered Accountants**R. SALIVATI**
Partner**H. A. MAFATLAL**
Chairman**GAURANG SHAH**
Company Secretary**N. G. PATEL****J. R. GAGRAT****A. C. SHAH****N. M. DHULDHOYA****N. R. DIVATE****ROHIT ARORA**

Directors

Mumbai, Dated: 30th June, 1998.

Mumbai, Dated: 30th June, 1998.