



Carrying forward a tradition of trust

Regd. Office: Syndicate House, Manipal - 576 119

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## 26th Annual Report 1996-97

**Registered Office**

Syndicate House, Upendra Nagar  
Manipal – 576 119

**Sr. General Manager – Finance**

K. R. Bhandary

**General Manager – Secretary**

Sadananda S. Kamath

**General Manager – Credit**

H. N. S. Rao

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**Auditors**

Sri B. Balakrishna Shanbhogue

*Chartered Accountant, Mangalore*

Chaturvedi & Shah

*Chartered Accountants, Mumbai*

**Bankers**

Syndicate Bank

Bank of Baroda

Corporation Bank

Federal Bank Ltd.

Karnataka Bank Ltd.

State Bank of Mysore

State Bank of Travancore

Union Bank of India

Uco Bank



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## NOTICE

NOTICE is hereby given that the TWENTYSIXTH ANNUAL GENERAL MEETING of the Members of ICDS Limited will be held on Friday, the 22nd August, 1997 at 4.30 p.m. at Nehru Memorial Library Hall, Manipal-576 119, D.K. District, Karnataka to transact following business:

1. To consider and adopt the Balance Sheet as at 31st March, 1997 and Profit and Loss Account for the year ended on that date and reports of the Board of Directors and Auditors.
2. To declare dividend.
3. To appoint a Director in the place of Sri K. K. Pai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri K. Vishnumurthy Yerkadithaya, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in the place of Dr. Ramdas M. Pai, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS

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

RESOLVED THAT the consent of the Company under the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the Board of Directors of the Company for borrowing, from time-to-time, as it may consider fit, any sums of money, on such terms and conditions as the Board may deem fit notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose so that the total amounts of monies so borrowed at any time shall not exceed the sum of Rs. 1,000 crores (Rupees One Thousand Crores only).

8. To consider and, if thought fit to pass, with or without modifications, the following as a Special Resolution:

- i) RESOLVED THAT subject to the approval of the authorities, if any, a sum of Rs. 4.20 crores share premium and Rs. 2.90 crores from the General Reserve of the Company be capitalised and that the said amount be applied in paying up in full 71,00,000 Equity Shares of Rs. 10/- each in the capital of the Company and the said shares be allotted and distributed as fully paid Bonus Shares to and amongst the shareholders whose names appear on the Register of Members of the Company on such a date as may be hereinafter determined by the Board in proportion of one equity share for every share held by them on the said date on the footing that they become entitled to the New Equity Shares as capital and not as income.
- ii) That the Bonus Shares shall be issued to Non-Resident Indian Shareholders subject to approval of the Reserve Bank of India.
- iii) That the new Equity Shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respects rank pari passu with the existing fully paid-up Equity Shares of the Company except that they shall not be entitled to dividend paid for the year and years prior to the date of allotment.
- iv) That no letter of allotment shall be issued in respect of the said Bonus Shares but the certificates in respect of the new Equity Shares to be allotted as fully paid Bonus Shares shall be ready for delivery within six weeks from the date of allotment.
- v) That for the purpose of giving effect to this resolution and for removal of doubts or difficulties, the Board be and is hereby authorised to do all such acts, deeds, matters and things and to give from time-to-time such directions as may be necessary, expedient, usual or proper and to settle any question or doubt that may arise in relation thereto or otherwise reconsider matter with the changed circumstances, if any, as the Board in its absolute discretion may think fit and its decision shall be final and binding on all matters and other interested persons.
- vi) The intention of the Board is hereby recorded that in the absence of unforeseen or unavoidable circumstances, payment of dividend be made at a rate not less than 15% of the expanded capital in the financial year immediately after the issue of Bonus Shares.

**NOTICE** (Contd.)

9. To consider and, if thought fit to pass, with or without modifications, the following resolution as a Special Resolution:

RESOLVED THAT in Item No. 4(e) of the Special Resolution passed in the Extraordinary General Meeting of the Company held on 15th May, 1996 the words and figures "10 years" be substituted with the words and figures "20 years".

10. To consider and, if thought fit to pass, with or without modifications, the following as a Special Resolution:

RESOLVED THAT the present appointment of Mr. T. Mohandas Pai valid for 5 years from 3rd August, 1994 to 2nd August, 1999 be and is hereby terminated with effect from 31st August, 1997 without any compensation to Mr. T. Mohandas Pai subject to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (The Act) read with Schedule XIII thereof and that Mr. T. Mohandas Pai be appointed as Managing Director of the Company for 5 years from 1st September, 1997 and that a remuneration of upto 3% of the net profits of the Company computed in accordance with Sections 349 and 350 of the Act be paid to him and that the exact remuneration within the said percentage be determined by the Board of Directors of the Company from year to year subject to the consent of Mr. T. Mohandas Pai.

FURTHER RESOLVED THAT the aforesaid remuneration be paid to Mr. T. Mohandas Pai on monthly, quarterly, half-yearly basis or otherwise as may be determined by the Board of Directors of the Company and agreed to by Mr. T. Mohandas Pai.

FURTHER RESOLVED THAT in the event of absence of profits in any year during the period from 1st September, 1997 to 31st August, 2002 Mr. T. Mohandas Pai, Managing Director be paid such minimum monthly remuneration as the Board of Directors may deem fit subject to the limits laid down in Schedule XIII of the Companies Act, 1956.

FURTHER RESOLVED THAT Mr. T. Mohandas Pai shall not be liable to retire by rotation during the period he holds the position of Managing Director.

Regd. Office:

"Syndicate House"

MANIPAL-576 149

Date: 2nd July, 1997

By order of the Board of Directors

S. S. KAMATH  
Secretary

**Notes:**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- 2) The Register of Members and Transfer Books of the Company will remain closed from 13th August, 1997 to 22nd August, 1997 (Both days inclusive).
- 3) The Dividend when declared will be payable on or after 15th September, 1997 to those members whose names stand on the Register of Members of the Company on 22nd August, 1997.
- 4) The Company has already transferred unclaimed dividend declared upto the financial year ended 31st March, 1993 to the General Revenue Account of Central Government as required by The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Karnataka, Bangalore.

**NOTICE (Contd.)**

The Unpaid Dividends that are due for transfer to the Central Government are as follows:

Financial Year ended	Due for Transfer on
31-3-1994	31-08-1997
31-3-1995	02-10-1998
31-3-1996	06-10-1999

Members who have not encashed their dividend warrants for the aforesaid Financial years are requested to approach the Company's Share department at the Registered Office of the Company for obtaining duplicate dividend warrants.

- 5) Explanatory statement relating to Special Business is appended.

**EXPLANATORY STATEMENT PURSUANT TO SEC. 173(2) OF THE COMPANIES ACT, 1956****Item No. 7**

By a Resolution passed at the Extraordinary General Meeting of the Company held on 9th May, 1994 sanction was accorded under Sec. 293(1)(d) of the Companies Act, 1956 to the Board of Directors to borrow money upto a limit of Rs. 500 crores. We have already borrowed to the extent of Rs. 385 crores. Considering the normal growth of next two to three years it is proposed to enhance the borrowing powers of the Board of Directors to Rs. 1,000 crores over and above the paid-up capital and free reserves of the Company. The Board recommends adoption of the resolution.

None of the Directors is concerned or interested in the Resolution.

**Item No. 8**

Company's existing Share Capital is Rs. 7.10 crores and Reserves & Surplus including share premium is Rs. 37.08 crores. The previous Bonus Shares issue was made by us in the year 1991. The shareholders had been pressing for issue of Bonus Shares for quite sometime. Board also feel that increase in capital will be commensurate with the size of the Company. It is proposed to capitalise Rs. 4.20 crores Share Premium and Rs. 2.90 crores from the General Reserve and issue Bonus Share in the ratio of 1:1.

The Board recommends adoption of the resolution. None of the Directors of the Company is interested in the resolution except to the extent they would be entitled for Bonus Shares in relation to their holding of Equity Shares.

**Item No. 9**

The Extraordinary General Meeting of members of the Company held on 15th May, 1996 decided to make private placement of 1,50,00,000 Cumulative Redeemable Preference Shares of Rs. 10/- each to any person or persons, institutions (either domestic or foreign) or mutual funds or any other body or society whether incorporated or not. The Special Resolution passed in the aforesaid meeting approved issue of Preference Shares redeemable not later than 10 years, the maximum period admissible for redemption of Preference Shares at that time. The Company's (Amendment) Act, 1996 has enhanced this period from 10 years to 20 years and Preference Shares redeemable after 12 years are eligible for treatment as Quasi Capital under RBI Norms for finance from banks and financial institutions. The Board recommends adoption of the resolution.

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

**Item No. 10**

Mr. T. Mohandas Pai was appointed as Joint Managing Director of the Company for a period of 5 years from 3rd August, 1994 to 2nd August, 1999 on a salary of Rs. 15,000/- per month in the scale of Rs. 15,000/- to Rs. 50,000/- (annual increments subject to approval of the Board of Directors) with certain perquisites as specified in the resolution passed by the Company in General Meeting held on 17th August, 1994. He was redesignated as Managing Director on 10th April, 1995 on the same remuneration and perquisites. The finance companies such as ours have been facing, due to changes in the economic and monetary policies of the Government, certain difficulties affecting their operations and fortunes. The Managing Director has to face new changes and prepare business plans for the Company in accordance with the changed situation, which calls for a lot of time, energy and efforts on his part. The Managing Director has also to be compensated adequately depending upon the industry practices and the fortune of the company from year to year.

**NOTICE (Contd.)**

Considering all these parameters, your Board of Directors have proposed that the present term of appointment of Mr. T. Mohandas Pai as Managing Director on a salary of Rs. 36,000/- per month together with certain perquisites approved by the shareholders at the meeting held on 17th August, 1994, be terminated with effect from the close of business hours on 31st August, 1997 and that Mr. T. Mohandas Pai be appointed afresh as Managing Director of the Company for 5 years from 1st September, 1997. Mr. T. Mohandas Pai has agreed to this proposal.

Your Board of Directors have proposed that a remuneration of upto 3% of the net profits of the Company be paid to Mr. T. Mohandas Pai and that the exact quantum of remuneration be left to be decided by the Board from year to year subject to the consent of Mr. T. Mohandas Pai. Such remuneration may also be paid to him either on a monthly, quarterly or half-yearly basis, as may be agreed between the Board of Directors and Mr. T. Mohandas Pai.

It is also proposed that in the absence of profits in any year Mr. T. Mohandas Pai be paid a monthly minimum remuneration not exceeding the limits specified in Schedule XIII of the Companies Act, 1956 as may be decided by the Board of Directors of the Company and agreed to by Mr. T. Mohandas Pai.

**INTEREST OF DIRECTORS**

Mr. T. Mohandas Pai is interested in the Resolution in so far as it entitles him to remuneration mentioned in the resolution. Dr. Ramdas M. Pai, being the brother of Mr. T. Mohandas Pai is deemed to be interested in the Resolution. No other Director is in any way concerned or interested in the Resolution.

**INSPECTION OF DOCUMENTS**

A certified true copy of the Resolution passed by the shareholders of the Company in the meeting held on 17th August, 1994 is available for inspection by members between 10.00 a.m. to 1.00 p.m. on all days (except Holidays) at the Registered Office of the Company till the date of the Annual General Meeting.

This Explanatory Statement be treated as abstract of the terms and conditions of contract of employment between the Company and Mr. T. Mohandas Pai under Section 302 of the Companies Act, 1956.

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By Order of the Board of Directors

Regd. Office:  
"Syndicate House"  
MANIPAL-576 119  
Date: 2nd July, 1997

S. S. Kamath  
Secretary

**BOARD OF DIRECTORS**



K. K. Pai  
*Chairman*



T. Mohandas Pai  
*Managing Director*



M. D. Narayan



Dr. K. Mohandas Pai



K. S. G. Haja Shareeff



K. V. Murthy  
Yerkadithaya



M. R. Pai



M. Dinesh Kudva



Dr. Ramdas M. Pai



P. S. V. Mallya



U. Suresh Rao



B. S. Pandit  
*Nominee UTI*



## DIRECTORS' REPORT

\* The Directors have pleasure in presenting their TWENTYSIXTH ANNUAL REPORT and the Audited Statement of Accounts for the year ended 31st March, 1997.

	(Rs. in crores)	
	1996-97	1995-96
<b>FINANCIAL RESULTS</b>		
Total Income	106.54	96.36
Less: Operating Expenses	18.52	18.14
	88.02	78.22
Less: Interest	64.55	56.26
Depreciation and Lease equalisation	14.72	14.41
Income Tax	0.52	-
Profit before provision under RBI Norms	8.23	7.55
Provision under RBI Norms	4.74	2.24
	3.49	5.31
Transfer from Investment Allowance Reserve	0.03	0.13
Surplus brought forward	0.12	1.52
	3.64	6.96
Less: Proposed Dividend including Tax	1.95	2.84
Transfer to Reserves	1.20	4.00
Surplus carried forward	0.49	0.12

### DIVIDEND

Your Directors recommend payment of dividend at the rate of Rs. 2.50 per share.

### BONUS SHARES

Your Directors are also pleased to recommend the issue of Bonus Shares as a commemoration of Silver Jubilee Year, in the ratio of 1:1 by capitalisation of Rs. 7.10 crores from Share Premium and General Reserves.

### REVIEW OF OPERATIONS

Based on the recommendations of the Shah Committee, Reserve Bank of India has altered its focus of regulations of NBFCs from the liability side of the Balance Sheet to its Asset side.

As is prevailing today, our operations are subject to various guidelines issued by Reserve Bank of India on Asset Classification, Income Recognition, Accounting Practices, Concentration of Credit/Investment etc.

NBFCs in general have not performed satisfactorily during the year under report. In spite of adverse market conditions the performance of your company was steady. During the year the total disbursement was Rs. 141.77 crores. Hire Purchase of vehicle business continues to be a predominant segment in the Company's operations. The operational income during the year is Rs. 94.86 crores. More stress was given for the Hire Purchase of vehicle business rather than lease/corporate Hire Purchase. There is a general trend of increasing overdues in the corporate sector business. Your Company has been exercising necessary prudence in lending to corporate borrowers.

The Company has been able to meet all the prudential norms prescribed by Reserve Bank of India such as capital adequacy, rating requirement, adherence to the prudential norms etc. On account of this, the Company has been given a certificate by Reserve Bank of India with freedom to fix the interest rate on deposits and with no upper limit for accepting deposits.

Profitability of the operations depends on cost of funds. In order to bring down cost of funds the rate of interest on Fixed Deposit Schemes and brokerage have been revised downward. The effect of these changes would be derived in the current financial year.

Company's hotel "The Central Park" at Bangalore is showing a steady performance.

### FINANCE & DEPOSITS

The Company mobilised additional deposits of Rs. 68.19 crores (Rs. 73 crores last year). Company's deposits stood at Rs. 367.86 crores at the end of this year, an increase of 22.75%. Out of the total deposits, deposits of Rs. 728.36 lakhs from 4526 depositors had matured and remained unclaimed. We have intimated the depositors about the maturity and out of the said deposits 2284 depositors have since renewed/claimed deposits amounting to Rs. 499.46 lakhs.

During the year the Company has opened new branches at Nellore in Andhra Pradesh, Bhrahmavar, Davangere and Kumta in Karnataka and performance of these branches are satisfactory. It is proposed to open during the current year a few more branches in areas with deposit and advances potential.



## DIRECTORS' REPORT (Contd.)

### SUBSIDIARY COMPANIES

Manipal Investments Ltd., made a loss of Rs. 71.60 lakhs. The loss is more than made up by sizeable profits made after the year end. The Manipal Hotels Ltd., has made a Profit of Rs. 60,938/-. Consequent to disinvestment of 50% of shares in Canara Security Press Ltd., it ceased to be Company's Subsidiary.

### DIRECTORS

Sri K. K. Pai, Sri K. Vishnumurthy Yerkadithaya and Dr. Ramdas M. Pai retire in the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Sri K. S. G. Haja Shareeff who also retires in the ensuing Annual General Meeting has not offered himself for reappointment because of advanced age and failing health. Mr. Haja Shareeff has been one of the highly respectable members of the business community in all India level and his association with the Board almost from inception of the Company has been a source of strength. He was also the Director of Syndicate Bank Ltd., our predecessor institution for a number of years. Board places on record the valuable contributions of Mr. K. S. G. Haja Shareeff during his long association with the Company.

As regards Auditors comments on change in accounting policy Para 8 of Schedule 'Q' of Notes to Accounts appearing on Page No. 15 is self explanatory.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 are furnished below:

Particulars regarding conservation of energy and technology absorption: NIL. During the year Company earned foreign exchange of Rs. 44.99 lakhs and used Rs. 183.00 lakhs.

### AUDITORS

Sri B. Balakrishna Shanbhogue and M/s Chaturvedi & Shah, Auditors of the Company retire in the ensuing Annual General Meeting and are available for reappointment.

### ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the services and co-operation extended to us by our Bankers, Financial Institutions, Depositors and Members of Staff of the Company, during the year under report.

For and on behalf of the Board of Directors,

Place: BANGALORE  
Date: 2nd July, 1997

(K. K. Pai)  
Chairman

Particulars of employees who were in receipt of remuneration of Rs. 3,00,000/- for the year if employed throughout the year and the aggregate at the rate of more than Rs. 25,000/- per mensem if employed for a part of the year.

Sl. No.	Name	Age	Designation and Nature of Duties	Remuneration Rs.	Qualifications and Experience	Nature of Employment	Date of Commencement of Employment	Previous Employment
1.	Sri T. Mohandas Pai	63	Managing Director	7,75,990/-	LL.B. 43 years	Contract	3-8-1969	Managing Director, Manipal Printers and Publishers Ltd.

### NOTES:

- The remuneration includes salary, contributions to Provident Fund and value of perquisites.
- Sri T. Mohandas Pai. is related to Dr. Ramdas M. Pai, Director of the Company.

For and on behalf of the Board of Directors,

Place: BANGALORE  
Date: 2nd July, 1997

(K. K. Pai)  
Chairman