



Carrying forward a tradition of trust

Regd. Office: Syndicate House, Manipal - 576 119

MD	✓				BKC	✓
CS	✓				DPY	ND
RO	✓				DIV	ND
TRA	ND				AC	✓
AGM	✓	✓			SHI	✓
YE	✓	✓	✓			

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## 28th Annual Report 1998



**Registered Office**

Syndicate House, Upendra Nagar  
Manipal – 576 119

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**General Manager – Credit**

H. N. S. Rao

**Company Secretary**

R. Muraleedharan

**Auditors**

Sri B. Balakrishna Shanbhogue  
*Chartered Accountant, Mangalore*

Chaturvedi & Shah

*Chartered Accountants, Mumbai*

**Bankers**

Syndicate Bank  
Corporation Bank  
Lord Krishna Bank Ltd.  
Union Bank of India  
Uco Bank  
Vijaya Bank

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## BOARD OF DIRECTORS

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**K. K. Pai**  
*Chairman*



**T. Mohandas Pai**  
*Managing Director*



**M. D. Narayan**



**Dr. K. Mohandas Pai**



**K. V. Murthy**  
**Yerkadithaya**



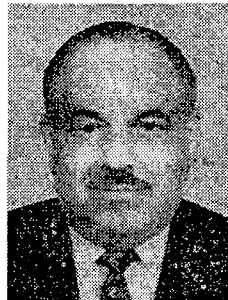
**M. R. Pai**



**M. Dinesh Kudva**



**Dr. Ramdas M. Pai**



**P. S. V. Malliya**



**U. Suresh Rao**



## NOTICE

NOTICE is hereby given that the TWENTYEIGHTH ANNUAL GENERAL MEETING of the Members of ICDS Limited will be held on Tuesday, the 29th June, 1999 at 4.00 p.m. in Nehru Memorial Library Hall, Manipal – 576119, Udupi District, Karnataka to transact following business.

1. To consider and adopt the Balance Sheet as at 31st December, 1998 and Profit and Loss Account for the year ended on that date and reports of the Board of Directors and Auditors.
2. To appoint a Director in the place of Sri M D Narayan, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Sri M R Pai who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Sri M Dinesh Kudva, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration.

Regd. Office  
"Syndicate House"  
Manipal – 576 119  
Date: 24th May, 1999

By order of Board of Directors

(R Muraleedharan)  
Company 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 Company has transferred unclaimed dividend declared upto the financial year ended 31st March 1995 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.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Bill 1999, hereafterwards the amount of dividend remaining unclaimed for a period of seven years has to be transferred to Investors Education and Protection Fund. The amount so transferred cannot, thereafter be claimed.

Members who have not encashed their dividend warrants for the year ended 31.3.96, 31.3.97 and 31.12.97 are requested to approach the Company's Share department at its Registered Office.

3. Shareholders may now avail of the facility of nomination by nominating in the prescribed form, a person to whom their shares in the Company should vest in the event of their death. Interested shareholders may write to the Company for the prescribed form.
4. The Register of Members and Share Transfer books will remain closed from 16th June 1999 to 29th June, 1999 (both days inclusive).



## DIRECTORS' REPORT

The Directors have pleasure in presenting their TWENTY EIGHTH ANNUAL REPORT and the Audited Statement of Accounts for the year ended 31st December, 1998.

(Rs. in crores)

Financial Results	31st Dec. 1998 (12 months period)	31st Dec. 1997 (9 months period)
Total Income	105.95	86.13
Less: Operating Expenses	11.82	15.15
	94.13	70.98
Less: Interest	69.78	49.29
Depreciation	6.93	6.42
Profit before provision under RBI Norms	17.42	15.27
Transfer from General Reserves	10.75	—
Provision/write off under RBI norms	27.97	12.09
Profit/(Loss) for the year	0.20	3.18
Provision for taxation	0.07	—
Surplus brought forward	1.87	0.49
	2.00	3.67
Less: Proposed dividend including Tax	—	1.17
Transfer to Reserves	—	0.64
Surplus carried forward	2.00	1.86

### DIVIDEND

Since there is no sufficient profit, your Directors have not recommended any dividend for the year under report.

### REVIEW OF BUSINESS

Under the RBI Directions in force the company is required to repay the entire public deposits by 31.12. 2001 and we have repaid Rs.132.86 crores of deposits during the year under report as against Rs.92.35 crores required to be repaid. As on 31.12.1998 the deposit held by the Company is Rs. 277.06 crores as against Rs. 409.93 crores held as on 31.12.1997.

Out of the aggregate deposits, deposits totaling Rs. 953.18 lakhs from 6316 depositors had matured and remained unclaimed. We have intimated to the depositors about the maturity and action has since been taken by 3856 depositors to claim/renew the amount of Rs.663.15 lakhs out of the unclaimed amount shown above.

During the year Company deployed Rs. 56.81 crores in following segments namely:

Hire purchase : Rs. 51.94 crores

Loans : Rs. 4.71 crores

Bills : Rs. 0.16 crores

The reasons for low level of business is due to shortage of funds. During the year under report we have extended hire purchase finance for vehicles, mainly Maruti cars and other models of passenger cars. The market for Hire Purchase of vehicles has become competitive. This has also affected the income of the company.

The RBI has revised the prudential norms for Non-performing assets vide their notification dated 12.5.98. These guidelines are very stringent as compared to the earlier ones. In terms of the applicable guidelines for asset classification, income recognition and provisioning, huge provision for NPA has been warranted.



## DIRECTORS' REPORT (Contd.)

The recessionary economic condition has affected most of the corporates with the result default has become common. Corporate accounts have a major share in the total NPA of the company.

In the circumstances downsizing the operation has become imminent. Cost of operations has direct bearing on the profitability. During the period under report various actions initiated in the previous year such as closure of unviable branches, cost reduction measures such as rent, rates, salaries, interest cost in borrowings have been continued. Further collection efficiency of overdues has been improved and stern legal action on chronic defaulters is being taken.

The RBI Directions in force directed NBFCs to restrict their investment in land and building to not more than 10 percent of their owned funds except for their own use and NBFCs are required to dispose off properties exceeding the said limits within 3 years. In order to comply with the same and also to give greater attention to each of the business areas company's operations were demerged through a Scheme of Arrangement with effect from 1.1.1998. The Balance Sheet now before you covers only finance business.

The Scheme of Arrangement was approved by the Hon'ble High Courts of Karnataka and Madras on 9.4.1999 and 16.4.1999 respectively. Pursuant to the Scheme in lieu of 5 equity shares of Rs.10/- each held by shareholders of ICDS Ltd, 4 equity shares of Rs.10/- each of ICDS Ltd and 1 equity share of Rs.10/- each of MPL Finance & Leasing Co. Ltd. will be issued to all the members whose names appear in the Register of Members of the Company at the close of business hours on 29th June 1999. Consequent to the same, Paid-up Capital of the Company is reduced from Rs.14.20 crores to Rs.11.36 crores.

### SUBSIDIARY COMPANY

The performance of Manipal Hotels Limited was steady and it has made a cash profit of Rs. 42.99 lakhs during the twelve months period ended 31st December, 1998.

### COMMENTS ON AUDITORS OBSERVATIONS

Auditors vide Para 2 (e) of their Report have commented regarding withdrawal from General Reserve. In this connection it is explained that as per the revised prudential norms for Non-Performing Assets announced by RBI on 12th May, 1998, income reversal

and provisioning aggregating to Rs. 10.75 crores has been identified as appropriate for the earlier years and the same has been adjusted from General Reserve.

### DIRECTORS

Sri M D Narayan, Sri M R Pai and Sri M Dinesh Kudva retire in the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 is annexed.

Particulars regarding conservation of energy and technology absorption: Nil.

During the year company's foreign exchange earnings and outgo: Nil.

### Year 2000 (Y2K) Compliance

Your company has taken appropriate and effective steps to comply with Y2K problem and the process is expected to be completed by end of September, 1999.

### 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.

### LISTING OF SHARES

Shares of the Company are listed on Mangalore, Bangalore, Mumbai and National Stock Exchanges. Annual Listing fees upto 1999-2000 has already been paid.

### ACKNOWLEDGMENT

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: Manipal  
Date : 24th May, 1999

(K K Pai)  
Chairman





## DIRECTORS' REPORT (Contd.)

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

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	65	Managing Director	Rs.5,41,247/-	LLB 45 years	Contract	3-8-1989	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 : MANIPAL  
Date : 24th May, 1999

(K K Pai)  
Chairman





## AUDITORS' REPORT

TO THE MEMBERS OF ICDS LTD.

We have audited the attached Balance Sheet of ICDS Limited as at 31st December, 1998 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

We report as follows:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. We further report to that:
  - a) we have obtained all the information and explanations which to the best of our knowledge and belief where necessary for the purposes of our audit;
  - b) in our opinion, proper books of accounts 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 the Profit and Loss Account are in agreement with the books of accounts;
  - d) in our opinion The Profit and Loss Account and Balance Sheet comply with the requirements of Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the Notes thereon and in particular to Note No. 3 relating to utilisation of surplus on Scheme of Arrangement and Note No. 4 regarding withdrawal from General Reserve, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view -

- i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st December, 1998 and
- ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

For **CHATURVEDI & SHAH**  
Chartered Accountants

Sd/-  
**C. D. Lala**  
Partner

Sd/-  
**B. Balakrishna Shanbhogue**  
Chartered Accountant

MUMBAI  
27th May, 1999

MANGALORE  
27th May, 1999

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph (1) of our report of even date)

- i) 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 under lease, have been physically verified by the management during the year. In the case of leased assets under the phased programme of physical verification a portion of the assets have been verified during the year and the process is on in the case of remaining assets. In view of the complexity involved in the physical verification of leased assets the frequency of physical verification is reasonable. To the best of our knowledge, no material discrepancies were noticed on verification.
- ii) Some of the fixed assets namely Land and Buildings have been revalued during the year at the current replacement values on the basis of the valuation made by the Approved valuers. The differences arising on the valuation have been shown under Revaluation Reserve in the Balance Sheet.
- iii) In our opinion and according to the information and explanations given to us, the procedure for verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business
- iv) The Company has granted loans to Companies as listed in the Register u/s 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the Company.
- v) The Company has taken unsecured loans from the Companies listed in the register maintained u/s 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.
- vi) In most of the cases, loans and advances given by the Companies, the parties are generally repaying the principal amount as stipulated and are also





## AUDITORS' REPORT (Contd.)

- regular in payment of interest. In the case of defaulting parties reasonable steps have been taken to recover the principal amounts as well as interest.
- vii) In our opinion, and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of business with regard to purchase and sale of Plant and Machinery, Equipment and other assets
- viii) In our opinion, and according to the information and explanations given to us, where transaction have been made with different parties, the transaction of purchase of goods and materials and sale of goods, material and services made in the pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, material or services where such market prices are available or the prices at which transactions for similar goods or materials have been made with other parties.
- ix) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Non-Banking Financial companies Acceptance of Public Deposits (Reserve Bank) directions 1998 with regard to Acceptance of Deposits from Public.
- x) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature its business.
- xi) According to the records maintained by the Company, it is regularly depositing the Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- xii) According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax and Sales Tax which were outstanding as on 31st December, 1998 for a period of more than six months from the date they become payable.
- xiii) According to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- xiv) We are informed that the provisions of any special statute applicable to the Chit Funds, Nidhi or Mutual Benefit Society do not apply to the Company.
- xv) The Company has maintained proper records of transactions and contracts in respect of trading in shares and timely entries have been made in such records. The Company's investments held in its own name subject to Note No. 12 of Schedule 'N'.
- xvi) Sub-clauses (III), (IV), (V), (VI), (XII), (XIV), (XVI) and (XX) of Clause (4A) of the Order are not applicable.

For **CHATURVEDI & SHAH**  
Chartered Accountants

Sd/-  
**C. D. Lala**  
Partner

MUMBAI  
27th May, 1999

Sd/-  
**B. Balakrishna Shanbhogue**  
Chartered Accountant

MANGALORE  
27th May, 1999