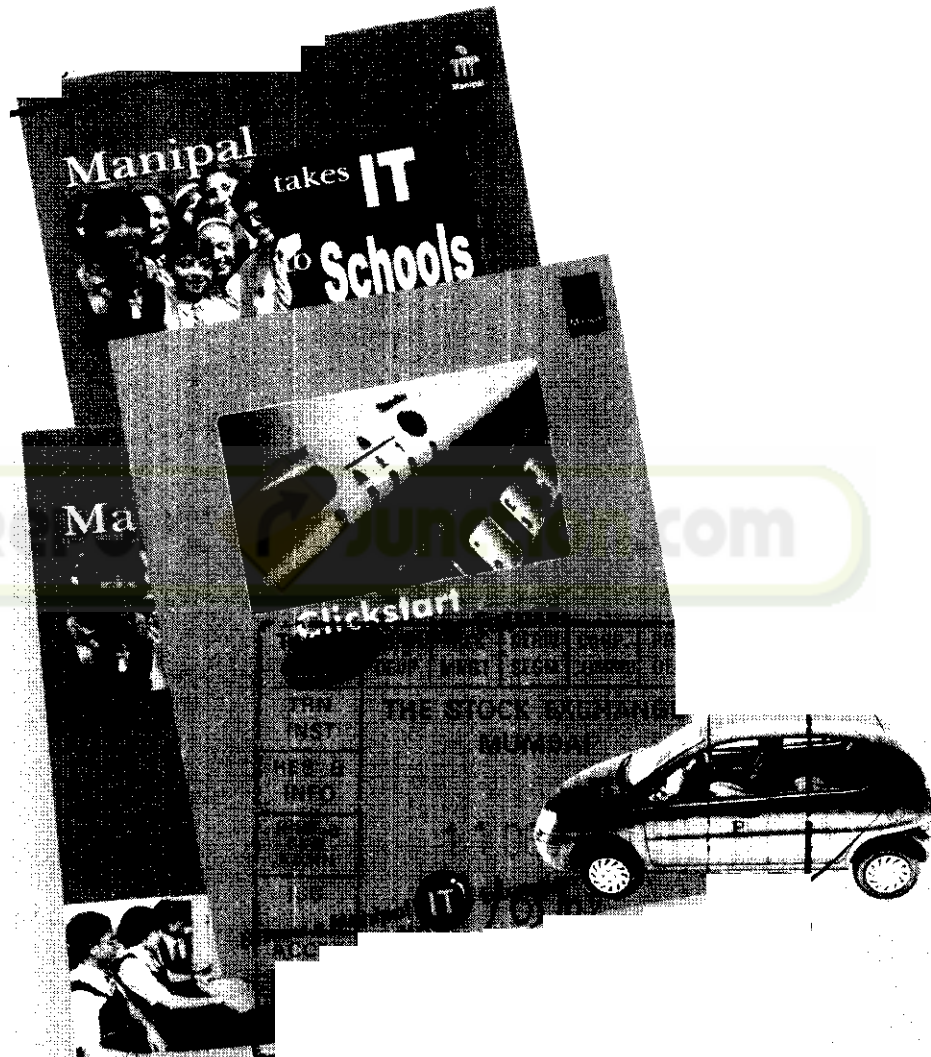




Carrying forward a tradition of trust

Regd. Office: Syndicate House, Manipal-576119



29th Annual Report
1999 - 2000



Chairman : K. K. Pai

Managing Director : T. Mohandas Pai

Directors : 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

General Manager – Credit : H. N. S. Rao

Company Secretary : R. Muraleedharan

Auditors : Sri B. Balakrishna Shanbhogue
Chartered Accountant, Mangalore
Chaturvedi & Shah
Chartered Accountants, Mumbai

Registered Office : Syndicate House, Upendra Nagar
Manipal – 576 119

Bankers : SYNDICATEBANK
CORPORATION BANK
LORD KRISHNA BANK LTD.
UNION BANK OF INDIA
UCO BANK
VIJAYA BANK



DIRECTORS' REPORT

The Directors have pleasure in presenting their TWENTYNINTH ANNUAL REPORT and Audited Statement of Accounts for the financial year comprising of 18 months period ended 30th June, 2000.

	30 th June, 2000 (18 months)	(Rs. in crores) 31 st December, 1998 (12 months)
Total Income	117.52	105.95
Less: Operating Expenses	11.54	11.82
	105.58	94.13
Less: Interest	97.05	69.78
Depreciation	9.73	6.93
Provision for Taxation	0.00	0.07
Profit/(Loss) before Provision	(1.20)	17.35
Provision/write offs	5.80	
Add: Prior period expenses	8.35	
	14.15	
Less: Transfer from General Reserve	8.35	10.75
Provision/write-off	5.80	27.97
Net Profit /(Loss) (Offer above adjustments)	(7.00)	0.13
Add: Surplus brought forward	2.00	1.86
Profit/(Loss) Carried forward	(5.00)	1.99

Since there is no profit your directors are unable to recommend any dividend for the year under report.

REVIEW OF OPERATIONS

Hire-Purchase Business: The company did not write any significant volume of business during the period ending 30.6.2000. A sum of Rs. 50.13 Crores only was deployed in Hire Purchase business. This is mainly due to the reason that the funds were used for reducing the public deposits. Hire purchase business has become competitive. A few large NBFCs, commanding the market with very low interest rate, as their cost of funds is around 8 to 9 per cent. NBFCs like our company, depending on public deposits cannot compete with them. Therefore to become competitive the company has to source cheap funds. However, your company has one advantage in the network of branches in semi urban and urban areas, where the big players have no presence and in a position to cater to such clients who are not preferred by them.

The company is in the process of finalising agency arrangement with a couple of Car Financing Companies for under writing HP business on their behalf. This arrangement helps in generating some income besides facilitating utilisation of the infrastructure in our branches.

Recovery : The company has put in serious efforts to recover NPA accounts. Legal actions have been initiated against almost all defaulters. Simultaneously criminal complaint under Section 138 of Negotiable Instrument Act are also lodged against such defaulters whose cheques were dishonoured. Our officials are

also meeting the defaulters with an offer to settle the accounts with some interest concession. The company has also resorted to repossession of the vehicles, machinery/equipments. All these efforts have started yielding results. A number of chronic defaulters have closed their accounts or entered into an agreement with the company for settlement. The trend of recovery from the NPA accounts is encouraging.

In addition to the above, the company has negotiated with a company at Mumbai for factoring a set of corporate accounts, so that recovery of such accounts through legal and out of court settlement process could be expedited. The agreement facilitates recovery of dues from the factored accounts in a stipulated time frame, which would increase the cash flow of the company.

Public Deposits: The Public Deposits which was Rs. 277.06 Crores, on 31.12.1998 has been reduced by Rs 102.74 Crores. The Deposits outstanding as on 30.6.2000 is Rs.174.32 crores.

Reserve Bank of India directives for deposit taking NBFCs stipulate that the Companies which are not having Investment Grade Rating cannot accept and hold Public Deposits. Such of the companies, which are holding public deposits in excess of their eligibility, should return such excess deposits on or before 31.12.2001. With regard to refund of excess deposits, on or before 31.12.2001, the Reserve Bank of India has granted



extension of time to the company with the following stipulations :

1. The company was permitted to reduce Public deposits by Rs. 50 crores during the period 1.4.1999 to 31.3.2000.
2. Further it is permitted to reduce the deposits by Rs. 60 crores during the period 1. 4. 2000 to 31. 3. 2001.
3. Reserve Bank of India has granted permission to renew public deposits with maturity upto 31.12.2003.

The company has complied with the above stipulations to the satisfaction of Reserve Bank of India.

Cost reduction and economy measures: Various actions initiated by the company for reduction of costs such as rent of premises, travelling and conveyance, telephone etc. are continuing. Branches, which have very small outstanding of deposits and Hire purchase dues, are being merged with nearby branches.

Diversification: As already explained the company has to necessarily look for alternative business areas to meet the challenges. The company entered into IT Education, and IT related services, and it has planned to enter into Insurance Broking and Corporate Agency, Setting up of Software Technology Park, IT school (providing IT education to school children) etc. The Board is happy to report that the MANIPAL IT EDUCATION' division was set up in April 2000, to provide distance education in IT field through a net work of Franchisees. The division has retained Manipal Academy of Higher Education as consultants. The division provides courses leading to Graduation and Post-graduation. Besides the division is also providing short-term courses through Franchisees. Enrolment for the degree courses and short term courses have also started. The response is overwhelming and a large number of students have enrolled. The company is finding ways and means to expand the network of franchisee and planning to introduce new courses to cater to a wider student population. We expect to make substantial progress in this line of business during the current year.

Infusion of Capital: The company has been complying with the prudential norms for the non-performing assets. On account of this compliance, the net worth of the company is being eroded. The company has been granted certain relaxations by RBI, for refund of excess deposits as explained in the earlier part of the report, for which they have stipulated the following conditions.

1. The company should have a minimum net owned funds of Rs. 25 lakhs by 31.3.2002.
2. The company should obtain minimum investment grade rating by 31.3.2002.

The company has given a commitment to RBI to the effect that Tier I capital of Rs. 25 crores will be infused during the years

2000-2001 and 2001-2002. In order to satisfy this commitment, the management has made arrangements to infuse Rs. 20 crores.

SUBSIDIARY COMPANY

During the year under review the performance of the Manipal Hotels Ltd. was steady and it has made a profit of Rs.37 lakhs. Pursuant to Section 212 of the Companies Act, 1956 the accounts of Manipal Hotels Ltd., the wholly owned subsidiary of the Company is enclosed.

DIRECTORS

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

AUDITORS' REMARKS

With regard to Auditors' observations in Paras 2(e),(f) and (g), explanations given in the relevant Notes No.1 to 5 of Schedule 'O' of the Accounts are self explanatory.

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

Particulars regarding Conservation of energy and Technology absorption: Nil.

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

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

The new shares allotted under the Scheme of arrangement, are listed on Mangalore and National Stock Exchanges. Annual Listing fees have been paid to these Stock Exchanges upto date.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the services and co-operation extended by RBI, Bankers, Depositors and Members of Staff of the Company, during the year under report. They also wish to thank the shareholders for their continued confidence in the Company.

For and on behalf of the Board of Directors

Place: Manipal
Date : 20th November, 2000

(K K Pai)
Chairman



AUDITORS' REPORT

TO THE MEMBERS OF ICDS LTD.

We have audited the attached Balance Sheet of ICDS Limited as at 30th June, 2000 and also the Profit and Loss Account of the Company for the period ended on that date annexed thereto.

We report as follows:

- (1) As required by the Manufacturing and Other Companies (Auditors' 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) Further to our comments in the Annexure referred to in paragraph (1) above:
 - (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 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 the Profit and Loss Account are in agreement with the books of account;
 - (d) in our opinion the Profit & Loss Account and Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - (e) Provision has not been made for Non-Performing Assets amounting to Rs. 3151 lakhs under Reserve Bank of India Prudential Norms. (Refer Note No. 2 of Schedule "O".)
 - (f) We further report that had the observation made in (e) above, had been considered

the loss for the period would have been Rs. 3850.91 lakhs (as against reported figure of Rs. 699.91 lakhs).

- (g) Subject to the comments made in para (e) and (f) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes thereon and in particular Note No. 1 of Schedule "O" on preparation of accounts on going concern basis, Note No. 3 of Schedule "O" as regards ultimate realisable value of amount due from M/s Eha Leasing & Finance Ltd., Note No. 4 of Schedule "O" for non-provision on net book value classified as loans and advances and Note No. 5 of Schedule "O" 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 30th June, 2000 and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.

For CHATURVEDI & SHAH
Chartered Accountants

Sd/-
C D Lala
Partner

Mumbai
30th November, 2000

Sd/-
B Balakrishna Shanbhogue
Chartered Accountant

Mangalore
30th November, 2000



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) None of the fixed assets has been revalued during the period.
- (iii) 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.
- (iv) The Company has not granted any loans, secured or unsecured, to Companies, Firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In respect of Loans and Advances given by the company, the parties are generally repaying the principal amount and interest where applicable as stipulated. In the case of defaulting parties we have been informed that reasonable steps have been taken to recover the principal amounts as well as interest.
- (vi) 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 the business with regard to purchase and sale of plant and machinery, equipment and other assets.
- (vii) Transactions of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000 or more in respect of each party have been made at rates which are reasonable having regard to prevailing market rates for such services.
- (viii) 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 (Reserve Bank Directions, 1977) with regard to acceptance of deposits from public.
- (ix) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (x) According to the records maintained by the Company, it is generally regular in depositing the Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- (xi) According to the information and explanations given to us there were no undisputed amounts payable in respect of Income Tax, Sales Tax which were outstanding as on 30th June, 2000 for a period of more than six months from the date they became payable.
- (xii) According to the information and explanations given to us and the records examined by 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.
- (xiii) We are informed that the provisions of any special statute applicable to Chit funds, Nidhi or Mutual Benefit Society do not apply to the Company.
- (xiv) 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 have been held in its own name.
- (xv) In our opinion other clauses of the aforesaid order are not applicable to the company for the period under report.

For CHATURVEDI & SHAH

Chartered Accountants

Sd/-
C D Lala
Partner

Mumbai
30th November, 2000

Sd/-
B Balakrishna Shanbhogue
Chartered Accountant

Mangalore
30th November, 2000



BALANCE SHEET AS AT 30TH JUNE, 2000

		As at 30-06-2000		(Rs. in lakhs) As at 31-12-1998	
Schedules		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
Shareholders Funds:					
Share Capital	A	1136.00		1136.00	
Reserves & Surplus	B	1174.70		2725.34	
			2310.70		3861.34
Share Application Money			500.00		
Loan Funds:					
Secured Loans	C	15584.08		9813.91	
Unsecured Loans	D	17468.71		28260.11	
			33052.79		38074.02
			35863.49		41935.36
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	E	10866.39		13697.70	
Less: Depreciation		3727.94		4862.79	
Net Block		7138.45		8834.91	
Add: Advance for Fixed Assets		1036.36		767.15	
Less: Lease Equalisation		4438.05		3436.78	
			3736.76		6165.28
INVESTMENTS	F		4682.49		6166.85
Current Assets, Loans & Advances					
Inventories	G	8995.46		20044.86	
Sundry Debtors	G	21141.56		11221.99	
Cash and Bank Balances	G	2475.73		386.50	
Other Current Assets	G	2022.15		827.71	
Loans and Advances	H	2888.41		8435.51	
		37523.31		40916.57	
Less: Current Liabilities and Provisions	I	10079.07		11313.34	
			27444.24		29603.23
			35863.49		41935.36
Accounting Policy	N				
Notes to Accounts	O				

As per our Report of even date

For Chaturvedi & Shah
Chartered AccountantsK K Pai
ChairmanT Mohandas Pai
Managing DirectorC D Lala
PartnerB B Shanbhogue
Chartered AccountantManipal
20th November, 2000R Muraleedharan
Company SecretaryH N S Rao
General Manager



PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30TH JUNE, 2000

(Rs. in lakhs)

		30th June, 2000 18 Months	31st December, 98 12 Months
	Schedules	Rs.	Rs.
INCOME			
Income from Operations	J	6114.53	4309.98
Other Income	K	165.90	105.29
Surplus on Scheme of Arrangement		0.00	6179.75
Surplus on Factoring transactions (Refer Note No. 3 to Notes to accounts)		5431.80	0.00
		<u>11712.23</u>	<u>10595.02</u>
EXPENDITURE			
Finance Charges	L	9705.33	7309.27
Operating Expenses	M	1153.84	839.55
Depreciation	E	989.24	703.76
Less: Transfer from Revaluation Reserve		<u>16.14</u>	<u>10.77</u>
		<u>973.10</u>	<u>692.99</u>
		<u>11832.27</u>	<u>8841.81</u>
		<u>(120.04)</u>	<u>1753.21</u>
Provisions/Write Offs (Refer Note No. 2 of Schedule O)		579.87	2796.59
Prior Period Expenses (net)		<u>834.59</u>	<u>10.98</u>
		<u>1414.46</u>	<u>2807.57</u>
Less: Transferred from General Reserve I (Refer Note No. 5 of Schedule O)		<u>834.59</u>	<u>1075.00</u>
		579.87	1732.57
Profit/(Loss) before tax		<u>(699.91)</u>	<u>20.64</u>
Taxation		<u>0.00</u>	<u>7.34</u>
Profit/(Loss) after Tax		<u>(699.91)</u>	<u>13.30</u>
Add: Surplus brought forward		<u>199.77</u>	<u>186.47</u>
Profit/(Loss) carried forward		<u>(500.14)</u>	<u>199.77</u>

As per our Report of even date

For Chaturvedi & Shah
Chartered AccountantsK K Pai
ChairmanT Mohandas Pai
Managing DirectorC D Lata
PartnerB B Shanbhogue
Chartered AccountantManipal
20th November, 2000R Muraleedharan
Company SecretaryH N S Rao
General Manager



	As at 30th June, 2000		(Rs. in lakhs) As at 31st Dec., 1998	
	Rs.	Rs.	Rs.	Rs.
Schedule 'A'				
SHARE CAPITAL				
Authorised :				
3,50,00,000 Equity Shares of Rs.10/- each		3500.00		3500.00
1,50,00,000 Preference shares of Rs.10/- each		1500.00		1500.00
		<u>5000.00</u>		<u>5000.00</u>
Issued & Paid- up:				
1,13,60,000 Equity Shares of Rs.10/- each		1136.00		1136.00
		<u>1136.00</u>		<u>1136.00</u>

Note : Includes 84,80,000* Equity Shares issued as bonus shares by capitalising reserves and 9,11,552* Equity shares issued for consideration other than cash.

* The above figures have been proportionately reduced pursuant to the scheme of arrangement.

Schedule 'B'

RESERVES & SURPLUS

Capital Reserve		735.12		735.12
Revaluation Reserve	752.73		-	
Additions during the Year	-		763.50	
Less : Transfer to Profit & Loss A/c	<u>16.14</u>		<u>10.77</u>	
		736.59		752.73
General Reserve I				
As per last Balance Sheet	903.72		1978.72	
Less: Transfer to Profit & Loss A/c	<u>834.59</u>		<u>1075.00</u>	
		69.13		903.72
General Reserve II				
As per last Balance Sheet		134.00		134.00
Surplus Balance in Profit & Loss Account		(500.14)		199.77
		<u>1174.70</u>		<u>2725.34</u>

Schedule 'C'

SECURED LOANS

Debentures:

Secured Non-convertible debentures
of Rs.1000/- each

Interest accrued and due

From Banks :

Working Capital Loans

12933.91	6489.55
182.41	36.78
<u>13116.32</u>	<u>6526.33</u>
2467.76	3287.58
<u>15584.08</u>	<u>9813.91</u>



1) Debentures are secured by floating charge on receivables and book debts other than those specifically charged to banks.

2) Terms of Secured Non-Convertible Debentures:

Series	Duration (months)	Rate of Interest	Date of Redemption
A1	36	15.00%	01.05.2001
A1	60	16.50%	01.05.2003
A2	36	15.00%	15.05.2001
A2	60	16.50%	15.05.2003
AA	24	15.00%	01.09.2000
AA	36	15.00%	01.09.2001
AA	60	15.00%	01.09.2003
AB	24	15.00%	01.10.2000
AB	36	15.00%	01.10.2001
AB	60	15.00%	01.10.2003
AC	24	15.00%	01.11.2000
AC	36	15.00%	01.11.2001
AC	60	15.00%	01.11.2003
AD	24	15.00%	01.12.2000
AD	36	15.00%	01.12.2001
AD	60	15.00%	01.12.2003
AE	24	15.00%	01.01.2001
AE	36	15.00%	01.01.2002
AE	60	15.00%	01.01.2004
AF	24	15.00%	01.02.2001
AF	36	15.00%	01.02.2002
AF	60	15.00%	01.02.2004
AG	24	15.00%	01.03.2001
AG	36	15.00%	01.03.2002
AG	60	15.00%	01.03.2004
BA	24	14.00%	01.04.2001
BA	60	14.00%	01.04.2004
BB	24	14.00%	01.05.2001
BB	60	14.00%	01.05.2004
BC	24	14.00%	01.06.2001
BC	60	14.00%	01.06.2004
BD	12	13.00%	01.07.2000
BD	24	14.00%	01.07.2001
BD	60	14.00%	01.07.2004
BE	12	13.00%	01.08.2000
BE	24	14.00%	01.08.2001
BE	60	14.00%	01.08.2004
BF	12	13.00%	01.09.2000
BF	24	14.00%	01.09.2001
BF	60	14.00%	01.09.2004
BG	12	13.00%	01.10.2000
BG	24	14.00%	01.10.2001
BG	60	14.00%	01.10.2004
BH	12	13.00%	01.11.2000
BH	24	14.00%	01.11.2001