



Carrying forward a tradition of trust

Regd. Office: Syndicate House, Manipal-576119

Hire Purchase

IT Education

IT School

Instant Cash

Insurance Agency



30th Annual Report



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. Mallya
 U. Suresh Rao

General Manager : H. N. S. Rao

Senior Vice-President : Dr. Janardhan Jha
 (I.T. Division)

Company Secretary : R. Muraleedharan

Auditors : M/s 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
 ICICI BANK



DIRECTORS' REPORT

The Directors have pleasure in presenting their THIRTIETH ANNUAL REPORT and Audited Statement of Accounts for the financial year comprising of 9 months period ended 31st March, 2001.

FINANCIAL RESULTS

	31st March, 2001 (9 months)	(Rs. in crores) 30th June, 2000 (18 months)
Total Income	56.32	117.12
Less: Operating Expenses	23.93	11.54
	32.39	105.58
Less: Interest	36.10	97.05
Depreciation	3.81	9.73
Provision for Taxation	0.00	0.00
Profit/(Loss) before Provision	(7.52)	(1.20)
Provision/write-offs	9.68	5.80
Prior period adjustments	(0.33)	8.35
	9.35	14.15
Less: Transfer from General Reserve	2.03	8.35
Provision/write-off	7.32	5.80
Net Profit /(Loss) (after above adjustments)	(14.84)	(7.00)
Add: Profit/(Loss) Brought forward	(5.00)	2.00
Profit/(Loss) Carried forward	(19.84)	(5.00)

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

REVIEW OF OPERATIONS:

Consequent to the new regulatory norms issued by RBI on 2nd January, 1998, the Company has been looking for various business diversification options. The Hire Purchase business is not viable as of now due to the narrowing margins and competition from Banks/multinational companies. The Company has already started the following new activities.

1. **Information Technology Education Division:** In the very first year, the division has earned a gross income of over Rs. 33 crores. During the reporting period admission for two semester have taken place. Number of students on roll as on date is 28460. The division has potential to earn much more in the coming year.

2. **Instant Cash:** The Company has entered into an agreement with Wall Street Finance Ltd., a group Company of House of Patels to act as agent for their "Wall Street Instant Cash". The Money Transfer facility through electronic media has started in our 5 branches in February 2001. Under the arrangement the NRIs can remit money from the Gulf Countries to their kith & kins and funds received by the beneficiaries in a couple of hours. Some more branches will be added in the near future for extending this service.

Proposals under consideration:

The Company is taking necessary steps for diversification into Corporate Agency/Broking Insurance business in association with some Insurance Companies and also Foreign Exchange dealers.



Public Deposits: The Public Deposits outstanding as on 31-3-2001 was Rs.135.67 crores (Rs.174.72 crores as on 30-6-2000). Company is regularly paying interest and deposits as and when presented for payment.

Deposits amounting to Rs. 787.72 lakhs from 5384 Depositors had matured and remained unclaimed. We have intimated the depositors about the maturity and action has since been taken by 3432 depositors as to claim/renew the deposits of Rs. 477.34 lakhs out of the unclaimed amount.

The Secured Redeemable Non-convertible Debentures outstanding as on 31-3-2001 is Rs.110.06 crores.

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/debentures and Hire purchase dues, are being merged with nearby branches.

Infusion of capital: During the year under report 16,66,700 equity shares of Rs.10/- each at a premium of Rs. 20/- per share of the Company were allotted on Preferential basis to select persons and hence the Capital of the Company increased from Rs.1136 lakhs to Rs.1302.67 lakhs. Further infusion of capital of Rs. 500 lakhs is being explored.

SUBSIDIARY COMPANIES:

Consequent to the approval of the Scheme of Arrangement between Manipal Hotels Ltd., Sacred Hospitality Co. Ltd. and Manipal Properties Ltd., the Hotel "The Central Park" belonging to Manipal Hotels Ltd. was vested with Sacred Hospitality Co. Ltd. and "Business Centre" properties were vested with Manipal Properties Ltd. and development of Country Club continued to be managed by Manipal Hotels Ltd. As prescribed by Clause 7 of the above Scheme of Arrangement 9998 fully paid equity shares of Rs. 100/- each of Sacred Hospitality Co. Ltd. and 9989 equity

shares of Rs.100/- each of Manipal Properties Ltd. were allotted to the Company on 23-12-2000. As a result of this they became subsidiaries of the Company.

As required under Section 212 of the Companies Act, 1956 the Audited Statement of Accounts along with report of the Board of Directors and Auditors Report of your Company's subsidiaries, namely, Manipal Hotels Ltd., Sacred Hospitality Co. Ltd. and Manipal Properties Ltd. are annexed to this report.

CORPORATE GOVERNANCE:

The requirement of compliance with the code of corporate governance as prescribed by Clause 49 of the listing agreement would apply to the Company from the next financial year. However, the company has taken the following steps for implementation of Corporate Governance:

1. The Board of Directors met 4 times during the year and the gap between two successive meeting did not exceed four months.
2. The Board consists of one executive and nine non-executive directors and more than one third of the board comprise of independent directors.
3. Share Transfers/Transmissions are being processed and sent within a period of 30 days.
4. It is ensured that queries of shareholders such as non-receipt of dividend, annual report and change of address are attended to within a maximum period of 7 days.
5. The shares of the company are listed in Mangalore and National Stock Exchanges and Listing fees have been paid to these stock exchanges upto date.
6. The Company has the following Committees of the Board:

A) Audit Committee:

Sri K. V. Murthy Yerkadithaya	- Chairman
Sri U. Suresh Rao	- Director
Sri P. S. V. Mallya	- Director



The Company Secretary is the Secretary of the Committee.

During the period from 14th December, 2000 till date 3 meetings of Audit Committee were held.

B) Shareholders/Investors Grievance Committee:

Sri K. K. Pai	- Chairman
Sri T. Mohandas Pai	- Managing Director
Sri P. S. V. Mallia	- Director
Dr. K. Mohandas Pai	- Director

This Committee meets on 1st day of every calendar month. The Company Secretary is the Compliance Officer.

C) NPA Review Committee:

Sri K. K. Pai	- Chairman
Sri T. Mohandas Pai	- Managing Director
Sri K. Vishnumurthy Yerkadithaya	- Director
Sri U. Suresh Rao	- Director

During the reporting period two meetings of the Committee were held and NPAs have been continuously monitored.

D) Remuneration Committee:

Since Managing Director is the only whole-time Director and he does not draw any remuneration or perquisites from the Company remuneration committee is not mandatory for us. Non-Executive Directors are also not paid any remuneration other than sitting fees in connection with meetings of the Board or Committees attended by them.

DEMATERIALIZATION OF SHARES :

Effective 25th June, 2001 trading in equity shares of the Company on Stock Exchanges is permitted only in dematerialised form. The Company's shares are available for demat with both NSDL and CDSL. As on date 19,32,628 equity shares

forming 14.83% of share capital of the Company, stands dematerialised.

International Securities Identification Number (ISIN) allotted to the Company is **INE613B1010**.

DIRECTORS :

Dr. K. Mohandas Pai, Sri P. S. V. Mallia and Sri U. Suresh Rao retire in the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT :

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors' confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure;
- ii) appropriate accounting policies have been selected and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2001 and of the loss of the Company for the year ended as on that date;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

AUDITORS' REMARKS:

With regard to Auditor's observation in paras 2 (f) (g) and (h), explanations given in the relevant notes 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 earned foreign exchange earnings of Rs. 20.33 lakhs and out go: NIL.

AUDITORS :

Sri B. B. Shanbhogue, Chartered Accountant, Mangalore, one of the joint auditors, resigned on 11th April, 2001 due to professional commitments and burden of work. M/s Chaturvedi & Shah, Chartered Accountants, Mumbai the other Joint Auditor, continues as Auditor of the Company and available for reappointment.

ACKNOWLEDGMENT :

Your Directors wish to place on record their appreciation of the services rendered by Sri B. B.

Shanbhogue, Auditor of the Company since its inception.

Your Directors also wish to place on record their appreciation of the services and co-operation extended to us by RBI, our Bankers, Depositors and Members of Staff of the Company, during the year under report. Your Directors 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 : 27th June, 2001

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 March, 2001 and also the Profit and Loss Account of the Company for the nine months 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 to the extent applicable.

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 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) on the basis of written representations received from the Directors as on 31st March 2001 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2001 from being appointed as Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;

(f) provision has not been made for Non-Performing Assets amounting to Rs. 3441 lakhs under Reserve Bank of India Prudential Norms (Refer Note No. 2 of Schedule "O");

(g) we further report that had the observation made in (f) above, been considered the loss for the period would have been Rs. 4925 lakhs (as against the reported figure of Rs. 1484 lakhs);

(h) subject to the comments made in para (f) and (g) 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 as regards ultimate recovery of amounts due from various debtors mentioned therein, 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 31st March, 2001 and
- (ii) in the case of the Profit and Loss Account, of the loss of the Company for the nine months period ended on that date.

For **CHATURVEDI & SHAH**
Chartered Accountants

Mumbai
Date: 27th June, 2001

Sd/-
C. D. Lala
Partner



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 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 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 31st March, 2001 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.

xv) In our opinion, other clauses of the aforesaid order are not applicable to the company for the period under report.

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.

For **CHATURVEDI & SHAH**
Chartered Accountants

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.

Mumbai
Date: 27th June, 2001

Sd/-
C. D. Lala
Partner

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BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedules	As at 31-03-2001		(Rs. in lakhs) As at 30-6-2000	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
Shareholders Funds:					
Share Capital	A	1302.67		1136.00	
Reserves & Surplus	B	1796.96		1674.84	
			3099.63		2810.84
Share Application Money			-		500.00
Loan Funds:					
Secured Loans	C	13138.46		15591.51	
Unsecured Loans	D	13598.24		17461.28	
			26736.70		33052.79
			29836.33		36363.63
APPLICATION OF FUNDS:					
Fixed Assets	E				
Gross Block		10337.02		10866.39	
Less: Depreciation		3876.92		3727.94	
Net Block		6460.10		7138.45	
Add: Advance for Fixed Assets		2317.50		1036.36	
Less: Lease Equalisation		4103.89		4438.04	
			4673.71		3736.77
INVESTMENTS	F		3951.67		4638.99
Current Assets, Loans & Advances					
Current Assets	G	24842.33		33904.60	
Loans and Advances	H	2021.31		2820.54	
		26863.64		36725.14	
Less: Current Liabilities and Provisions	I	7636.61		9237.41	
			19227.03		27487.73
Profit & Loss account (Debit Balance)			1983.92		500.14
			29836.33		36363.63
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
PartnerH. N. S. Rao
General ManagerR. Muraleedharan
Company Secretary

Place : Manipal

Date : 27th June, 2001