



Regd. Office: Syndicate House, Manipal - 576 119

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31st Annual Report

2001 – 2002



Chairman : K. K. Pai

Managing Director : T. Mohandas Pai

Directors : M. D. Narayan
Dr. K. Mohandas Pai
K. Ramdas Shenoy

General Manager : H. N. S. Rao

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



NOTICE

NOTICE is hereby given that the Thirtyfirst ANNUAL GENERAL MEETING of Members of ICDS Limited will be held on Friday, the 27th September, 2002 at 4.00 p.m. in Valley View International, Manipal—576 119, Udupi District to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2002 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 Mr. K. K. Pai who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Mr. M. D. Narayan who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT subject to the provisions of Section 198, 269, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII thereto, the appointment of Mr. T. Mohandas Pai as Whole-time Director for a period of 3 years with effect from 1st September, 2002 without remuneration be and is hereby approved.

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

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulation) Act, 1956, and the Rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from the Stock Exchanges at Bangalore and Mumbai".

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

"RESOLVED THAT Article No. 11 of the Articles of Association of the Company be amended by substituting therein the word 'three' for the word 'five'".

Regd. Office:
Syndicate House
Manipal
Date: 25th July, 2002

By Order of the 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 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 Registrar of Companies, Karnataka.

Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of seven years shall 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 31-3-1996, 31-3-1997 and 31-12-1997 are requested to approach the Company's share department in its Registered Office at Manipal.

3. Members can avail of the nomination facility by filing Form 2B with the Company. Blank forms will be sent on request.
4. As prescribed by Clause 49 of the Listing Agreement, additional Information on Directors retiring by rotation and seeking reappointment at the Annual General Meeting is furnished below, namely:

	(1)	(2)
Name	Mr. M. D. Narayan	Mr. K. K. Pai
Date of Birth	9-4-1928	26-6-1921
Date of appointment	21-10-1971	12-5-1990
Expertise in specific functional areas	Coffee Planter. He had been Director of Commercial Banks, NBFCs for a number of years.	Retired Chairman and Managing Director of Bank
List of other directorships held	1. Lingapur Estates Ltd. 2. Vintage Foods & Industries Ltd. 3. Insotex (I) Ltd. 4. Osvali Chemicals Ltd. 5. First Leasing Co. of India Ltd. 6. ICDS Securities Ltd.	1. ICDS Securities Ltd. 2. MPL Finance & Leasing Co. Ltd. 3. Manipal Media Network Ltd. 4. Fomento Resorts and Hotels Ltd. 5. Sharath Impex Co. Pvt. Ltd. 6. Canara Land Investments Ltd. 7. Chemicon Pvt. Ltd. 8. United News of India 9. Canara Workshop Ltd. 10. Sacred Hospitality Co. Ltd. 11. Manipal Properties Ltd. 12. LVR Builders Ltd.
Chairman/Member of the Committees of the Board	Member – Audit Committee	Member – Shareholders/Investors Grievance Committee Chairman – Audit Committee
Chairman/Member of the Committees of Director of other companies in which he is member	NIL	

5. The Register of Members and Share Transfer books will remain closed from 24th September, 2002 to 27th September, 2002 (both days inclusive) in connection with 31st Annual General Meeting.
6. Explanatory Statement pursuant to Sec. 173 of the Companies Act, 1956 is attached.

By Order of the Board of Directors

Place : Manipal
Date : 25th July, 2002

R. Muraleedharan
Company Secretary

**EXPLANATORY STATEMENT :****Item No. 6**

Sri T. Mohandas Pai born on 20th June, 1933 is a Law Graduate. He was appointed as Director of the Company on 13th June, 1981. Later he was appointed as Joint Managing Director of the Company for a period of 5 years from 3-8-1989 to 2-8-1994 and reappointed as Joint Managing Director from 3rd August, 1994 to 2nd August, 1999. He was redesignated as Managing Director on 10th April, 1995.

On 22nd day of August 1997, Twenty Sixth Annual General Meeting confirmed appointment of Sri T. Mohandas Pai as Managing Director for a period of 5 years from 1st September, 1997 to 31st August, 2002. Sri T. Mohandas Pai offered to reduce his Salary and House Rent Allowance by 50% with effect from 1st March, 1998 following stringent RBI Directions requiring the Company to refund deposits thereby forcing the Company to down size its operations. He stopped drawing from the Company Salary and allowances altogether with effect from 1-4-99 and since then he is working without any Salary and allowance. He has now offered to work without any remuneration until financial position of the Company improves.

Sri T. Mohandas Pai is a Director and Member of the Board's Committee of the following Public Limited Companies:

Name of the Company	Designation	Membership of the Committee of the Board
Manipal Prakashana Ltd.	Managing Director	
Manipal Media Network Ltd.	Director	Member-Audit Committee
Canara Land Investments Ltd.	Director	
Sri Ramakrishna Theatre Ltd.	Director	
Manipal Hotels Ltd.	Director	
ICDS Securities Ltd.	Director	
Manipal Press Ltd.	Director	
Sacred Hospitality Co. Ltd.	Director	
Manipal Properties Ltd.	Director	

Board of Directors feel that continuation of Sri T. Mohandas Pai as Whole-Time-Director is necessary in the present situation, therefore, they propose to reappoint him as a Whole-time Director, subject to approval of the shareholders, for a period of 3 years from 1st September, 2002 without remuneration.

The Board recommends adoption of the resolution.

Except Sri T. Mohandas Pai, none of the other Directors is interested in the resolution.

The explanatory statement be treated as abstract of the terms and conditions of contract of employment between the Company and Sri T. Mohandas Pai under Section 302 of the Companies Act, 1956.

Item No. 7

Under the Scheme of Arrangement made between ICDS Ltd., Manipal Hotels Ltd. and MPL Finance and Leasing Co. Ltd. and approved by the shareholders on 20th February, 1999 and sanctioned by the Hon'ble High Court of Karnataka by Order dated 9th April, 1999 shareholders of the Company were issued with 80 new Equity Shares of Rs.10/- each of the Company and 20 equity shares of Rs.10/- each of MPL Finance and Leasing Co. Ltd. for every 100 equity shares of Rs. 10/- each held by them in ICDS Ltd.

Old share certificates of the Company had to be surrendered for cancellation and issue of new share certificates and for that purpose old share certificates of the Company were suspended from



the list for trading on all the four following Stock Exchanges, namely:

1. National Stock Exchange of India Ltd.,
2. The Stock Exchange, Mumbai,
3. Bangalore Stock Exchange,
4. Mangalore Stock Exchange.

Since the Company had to refund large amounts of deposits and downsize itself it had to reduce the cost and, therefore, new shares of the Company were listed only on National Stock Exchange and Mangalore Stock Exchange. Under the Listing Agreement entered into by the Company with Mumbai and Bangalore Stock Exchanges we have undertaken to list our new shares with them and for delisting the shares from the Exchanges requires approval of the shareholders.

With the extensive networking of The National Stock Exchange of India Ltd. (NSE) and the extension of the terminals to other cities as well, investors have access to online dealings in the Company's securities across the country. The equity shares of the Company are traded only on National Stock Exchange and there had been no trading of the Company's shares in The Stock Exchange, Mumbai after 22nd April, 1999 and in Bangalore Stock Exchange after 24th May, 2000.

Moreover at present trading in our shares on Stock Exchanges has been permitted only in dematerialised form.

As a part of cost reduction measures, the Company proposes this resolution, which will enable it to delist its equity shares from The Stock Exchange, Mumbai and Bangalore Stock Exchange. The Company's shares will continue to be listed on National Stock Exchange and on Mangalore Stock Exchange which is the Regional Stock Exchange. The delisting of equity shares from The Stock Exchange, Mumbai and Bangalore Stock exchange will not in any way adversely affect the investors as the shares can be traded through the NSE terminals spread across the country.

Clause 47 of the Listing Agreement executed by the Company requires approval of shareholders by Special Resolution for voluntary delisting. Members approval is being sought by a Special Resolution for enabling voluntary delisting of its equity shares from The Stock Exchange, Mumbai and Bangalore Stock Exchange.

The Board recommends adoption of the resolution.

None of the Directors of the Company are, in any way, concerned or interested in the resolution.

Item No. 8

At present Articles of Association of the Company prescribes Board of directors to comprise of five members as minimum number of Directors as against three required under the provisions of Companies Act.

It is proposed to reduce the minimum number of directors of the Company prescribed under Article No. 11 of the Articles of Association from 'five' to 'three' in view of the overall down sizing of the Company's operations.

The Board recommends adoption of the resolution. None of the Directors of the Company is in any way concerned or interested in the resolution.

By Order of the Board of Directors,

Place: Manipal
Date : 25th July, 2002

R. Muraleedharan
Company Secretary



DIRECTORS' REPORT

The Directors present their THIRTYFIRST ANNUAL REPORT and Audited Statement of Accounts for the financial year comprising of 12 months period ended 31st March, 2002.

(Rs. in crores)

FINANCIAL RESULTS

	31st March 2002 (12 months)	31st March 2001 (9 months)
Total Income	68.98	56.32
Less: Operating Expenses	39.80	23.93
	29.18	32.39
Less: Interest	38.53	36.10
Depreciation	4.72	3.81
Provision for Taxation	0.00	0.00
Profit/(Loss) before Provision	(14.07)	(7.52)
Provision/write offs	75.97	9.68
Prior period adjustments	0.97	(0.33)
	(91.01)	(16.87)
Surplus on sale of IT Education Division	86.13	—
Profit/(Loss) after Tax	(4.88)	(16.87)

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

REVIEW OF OPERATIONS:

As reported during the last year the Company is not writing Hire Purchase and Lease Business in a significant manner for the reason that all the collections from Hire Purchase and Lease accounts are being deployed to reduce the deposit liabilities only. However, some of the diversified business activities were continued during the reporting year.

Total collection during the year from H.P., lease, loans, bills and other accounts is Rs. 25.40 crores. The fund base of the Company which was Rs. 270.41 crores as on 31-3-2001 has been reduced to Rs. 267.69 crores. The total interest and finance charges paid during the year was Rs. 38.53 crores.

Negotiations are going on with a couple of NBFCs for Agency/tie-up, under which Company is required to sponsor the Hire Purchase Proposals and earn commission in successful cases.

SCHEME OF ARRANGEMENT

For the reasons mentioned in the Management Discussion and Analysis Report forming part of this report Company decided to move the High Court of Karnataka for consideration of Scheme of Arrangement under Sec. 391 of the Companies Act 1956 for repayment of Deposits, Debentures and Debts held by the Company over a period of one to five years. The Scheme proposes to stop payment of interest with effect from 15th July, 2002.

INFORMATION TECHNOLOGY EDUCATION DIVISION:

During the year under report the Division earned a gross income of Rs. 50.33 crores and net income of Rs. 14.15 crores. Number of students on roll as on date is over 35,000.

As a part of restructuring of the Company and to meet its commitments IT Education Division has been sold for a consideration of Rs.104.43 crores. This sale was approved by the shareholders by Postal Ballot.



GENERAL INSURANCE AGENCY:

The Company has signed an MOU with a General Insurance Company in Private Sector, which is licenced to sell general insurance products in the Country. They have appointed us as Service Provider and they have trained some of our Managers to enable them to provide necessary services after getting the status of their corporate agent. The amendment bill to Insurance Regulatory and Development Authority (IRDA) is under consideration of Parliament. Therefore, there is some delay in getting the status of a Corporate Agent of the Company. There is good potential for selling the general insurance products and the Company is preparing a plan of action for achieving higher business goals.

LIFE INSURANCE:

An MOU was also signed with a Life Insurance Company. They have shown keen interest in utilising our network of branches for marketing their products. They are also training our Managers/ Executives so that the business could be started as soon as we are appointed as Corporate Agent.

Public Deposits: The Public Deposits outstanding as on 31-3-2002 was Rs. 75.23 crores (Rs. 135.67 crores as on 31-3-2001). Company has been regularly paying interest and deposit on maturity promptly till 15th July, 2002.

Deposits amounting to Rs. 477.39 lakhs from 3240 Depositors had matured and remained unclaimed. We have intimated the depositors about the maturity and action has since been taken by 1319 depositors as to claim/renew/convert the deposits of Rs. 197.06 lakhs out of the unclaimed amount.

The Secured Redeemable Non-convertible Debentures outstanding as on 31-3-2002 is Rs. 125.83 crores and subordinated Debts outstanding as on the said date is Rs. 38.43 crores.

The Public Deposits outstanding as on 1st January, 1998 was Rs. 410 crores and as on 15th July, 2002 the same was Rs. 59 crores. It may be interesting

to note that the Company has repaid Public Deposits and Interest thereon aggregating to Rs. 536 crores during the period from 1-1-1998 to 15-7-2002. (Public Deposit repaid is Rs. 351 crores and interest Rs. 184 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.

SUBSIDIARY COMPANIES:

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 of your Company's subsidiaries, namely, Manipal Hotels Ltd., Sacred Hospitality Co. Ltd. and Manipal Properties Ltd. are annexed to this report.

Board of Directors in its meeting held on 20th February, 2002 decided to sell and transfer 1,10,000 equity shares of Rs.100/- each held by the Company in Sacred Hospitality Co. Ltd. to Manipal Infocom (India) Pvt. Ltd. and its nominees. On 1st April, 2002 Manipal Infocom Pvt. Ltd. and Manipal Health Systems Pvt. Ltd. acquired the shares and consequent to that Sacred Hospitality Co. Ltd. ceased to be the subsidiary of the Company.

DIRECTORS

Mr. M. D. Narayan and Mr. K. K. Pai retire in the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. During the year under report Mr. M. Dinesh Kudva Mr. K. V. Murthy Yerkadithaya, Dr. Ramdas M. Pai, Mr. M. R. Pai, Mr. P. S. V. Mallya and Mr. U. Suresh Rao resigned from the Board of Directors of the Company for personal reasons. Board places on record its appreciation of their contribution during their tenure as Director. Mr. K. Ramdas Shenoy was appointed as a Non-Executive Director of the Company in the casual vacancy caused by the resignation of Mr. U. Suresh Rao.



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, 2002 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. The ability of the Company to continue as the going concern depends upon the timely recovery from debtors and future profitability as the Company has incurred losses in last few years and its substantial funds are blocked in Sundry Debtors and that the management of the Company is hopeful of recovery of dues from debtors and the measures taken by the Company will result in controlling the operating deficits.

AUDITORS' REMARKS:

- 1) In respect of Auditors remarks in Para 2 (f), Company has taken a decision to come out of NBFC business, therefore obtaining credit rating and also meeting capital adequacy ratio are not relevant. As far as submission of prudential norms half yearly return to RBI is concerned the same has since been complied with.
- 2) With regard to Auditor's observation in Para 2(g) and (h), explanations given in the relevant notes 1 and 2 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. 90.74 lakhs and out go: NIL

AUDITORS

M/s Chaturvedi & Shah, Chartered Accountants, Mumbai, the Auditors of the Company retire at the ensuing Annual General Meeting and are available for reappointment.

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 this year.

Corporate Governance Report and Management Discussion and Analysis Report form part of this Report.

A certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated by Clause 49 of the listing agreement is attached to this report.

CONSOLIDATED FINANCIAL STATEMENTS

As required under Clause 32 of the listing Agreement, Audited Consolidated Financial Statements form part of this Report.

ACKNOWLEDGMENT

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 : 16th July, 2002

(K. K. Pai)
Chairman



CORPORATE GOVERNANCE REPORT

The Directors present the Company's Report on Corporate Governance.

1. Company's Philosophy:

The Company believes in good corporate governance and for that purpose in creation of an environment for the efficient conduct of business and to enable the management to meet its obligations to its shareholders, depositors, borrowers, employees and the community in which the Company operates.

2. Board of Directors:

The Board comprises of five Directors, of which one is executive and four non-executive. Chairman of the Board is non - executive Director.

The non-executive Directors are eminent personalities with experience in Banking, Management, Finance, Education and Law who brings a wide range of skills and experience to the Board. None of the Directors has pecuniary or business relationship with the Company, its promoters, management or its subsidiaries.

The Board functions as a full Board and through committees. The Board and Committees meet at regular intervals. Policy formulation, evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues.

- i) Number of Board Meetings and Attendance of Directors:

The Board met 5 times during 2001-2002. The details are as follows:

Date of Meeting	Board Strength	No. of Directors present
27th June, 2001	10	8
27th August, 2001	10	9
30th October, 2001*	9	3
21st January, 2002*	8	7
20th February, 2002	8	8

*Mr. M. Dinesh Kudva resigned on 3-9-2001 and Mr. K. V. Murthy Yerkadithaya resigned on 12-11-2001. Mr. M. R. Pai, resigned on 17-6-2002, Mr. P. S. V. Mallya resigned on 25-6-2002 and Mr. U. Suresh Rao resigned on 1-7-2002 from the Board of Directors. Mr. K. Ramdas Shenoy was appointed as a director on 16th July, 2002 in the casual vacancy caused by the resignation of Mr. U. Suresh Rao.

The last AGM was held on 27th August, 2001 and out of 10 Directors, 9 Directors attended the AGM.

- ii) The composition of Board of Directors, their directorships in other companies and memberships of committees and the details of their attendance at the Board Meetings are given below:

3. Audit Committee:

The Audit Committee comprised of the following members of the Board:

Sri K. K. Pai - Chairman
Dr. K. Mohandas Pai
Sri M. D. Narayan

Sl. No.	Name of the Directors	Category of Directorship	No. of meetings Attended	Attendance at last AGM	No. of other directorships	No. of Membership (M) Chairman (C)
1.	Mr. K. K. Pai Chairman	Non-Executive	4	No	12	1(C) 1(M)
2.	Mr. T. Mohandas Pai	Promoter Executive	4	Yes	12	1 (M)
3.	Mr. M. D. Narayan	Non-executive Independent	2	Yes	6	1(M)
4.	Dr. K. Mohandas Pai	Non-executive	5	Yes	1	1(M)
5.	Mr. K. Ramdas Shenoy	Non-executive Independent	Nil	No	1	Nil