



Regd. Office: Syndicate House, Manipal – 576 104



# **33rd Annual Report**

## **2003 – 2004**



<b>Chairman</b>	:	K. K. Pai
<b>Whole-time Director</b>	:	T. Mohandas Pai
<b>Director</b>	:	Dr. K. Mohandas Pai
<b>General Manager</b>	:	H. N. S. Rao
<b>Company Secretary</b>	:	R. Muraleedharan
<b>Auditors</b>	:	M/s Chaturvedi & Shah <i>Chartered Accountants, Mumbai</i>
<b>Registered Office</b>	:	Syndicate House, Upendra Nagar Manipal – 576 104
<b>Bankers</b>	:	SYNDICATEBANK CORPORATION BANK LORD KRISHNA BANK LTD. ICICI BANK
<b>Registrar and Share Transfer Agent</b> (For Physical and Demat Shares)	:	Cameo Corporate Services Ltd. 5th Floor Subramanian Building No.1, Club House Road Chennai – 600 002



## NOTICE

NOTICE is hereby given that the 33rd ANNUAL GENERAL MEETING of Members of ICDS Limited will be held on Tuesday, the 28th September, 2004, at 4.00 p.m. in Nehru Memorial Library Hall, Manipal – 576 104, Udupi District to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2004 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 Auditors of the Company and to fix their remuneration.

By Order of the Board

**Registered Office:**

Syndicate House  
Manipal – 576 104  
Date: 10-08-2004

Sd/-

**R. Muraleedharan**  
Company Secretary

Report  Junction.com

**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, 1996 to the General Revenue Account of the 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.

The Company transferred the unclaimed dividend for the financial year ended 31-3-1997 to Investors Education and Protection Fund.

3. 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:

Name : Mr. K. K. Pai  
 Date of Birth : 26-06-1921  
 Date of appointment : 12-05-1990  
 Expertise in specific functional areas : Ex-chairman, Syndicate Bank.

He had been Director of Commercial Banks and NBFCs for a number of years.

List of other directorships held : MPL Finance & Leasing Co. Ltd.  
 Fomento Resorts & Hotels Ltd.  
 Sharath Impex Co. Pvt. Ltd.  
 Canara Land Investments Ltd.  
 Chemicon Pvt. Ltd.

Chairman/Member of the committees of the Board : Chairman – Audit Committee  
 Member – Shareholders

Chairman/Member of the Committees of Director of the new Companies in which he is Member : NIL – Grievance Committee

4. The Registrar of Members and Share Transfer Books will remain closed from 22nd September, 2004 to 28th September, 2004 (both days inclusive) in connection with 33rd Annual General Meeting.

By Order of the Board

Sd/-

**R. Muraleedharan**  
 Company Secretary

Place : Manipal  
 Date : 10-08-2004



## DIRECTORS' REPORT

The Directors present their THIRTY THIRD ANNUAL REPORT and Audited Statement of Accounts for the financial year ended 31st March, 2004.

(Rs. in crores)

### FINANCIAL RESULTS

	31st March, 2004	31st March, 2003
Total Income	17.04	21.51
Less: Operating Expenses	2.95	5.92
	14.09	15.59
Less: Interest	0.17	12.25
Depreciation	3.59	4.03
Provision for Taxation	—	—
Profit/(Loss) before Provision	10.33	(0.69)
Provision/write offs	12.12	46.61
Prior period adjustments	0.01	0.39
Profit/(Loss) after Tax	(1.80)	(47.69)

### REVIEW OF OPERATIONS:

The Company has stopped finance business consequent to the cancellation of Certificate of Registration by Reserve Bank of India as already reported in the previous year. The Company is pursuing fee based activities such as insurance retailing, recovery services etc. The Company has earned a gross total income of Rs. 1,704 lacs inclusive of an income of Rs.18.15 lacs from other fee based activities during the year under report. The Company is vigorously pursuing recovery of the receivables.

Total collection during the year from H.P., Lease, Loans, Bills and other receivables were Rs. 15.97 Crores.

### SCHEME OF ARRANGEMENT

The Company's Scheme of Arrangement for repayment of deposits, debentures and debts is pending with the Hon'ble High Court of Karnataka, Bangalore. It has concluded the hearing and the order is reserved. The company will take suitable action to repay investors as per

the scheme on approval of the same by the High Court.

### GENERAL INSURANCE AGENCY

The Corporate Agency arrangement with Bajaj Allianz General Insurance Company Ltd, continued during the year under review and results are encouraging.

### LIFE INSURANCE

During the year under report Company continued its agency arrangement with Life Insurance Corporation of India and the same is working smoothly.

### PUBLIC DEPOSITS:

The Public Deposits outstanding as on 31-3-2004 was Rs. 53.40 crores. These deposits are repayable as per the Scheme when approved by the High Court of Karnataka, Bangalore.

The Secured Redeemable Non-convertible Debentures outstanding as on 31-3-2004 was



Rs. 109.18 crores and subordinated Debts outstanding as on the said date is Rs. 37.80 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. It may be seen that the operating expenses have come down substantially compared to previous year and staff strength has also been reduced steeply over the period.

#### **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 Report of your Company's subsidiaries, namely, Manipal Hotels Ltd. and Manipal Properties Ltd. are annexed.

#### **DIRECTORS**

Sri K. K. Pai retires in the ensuing Annual General Meeting and being eligible, offers himself 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, 2004 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:**

With regard to Auditor's observations in para 2 (g) to 2 (j), explanations given in the relevant notes 1 to 5 of Schedule 'P' of the notes to 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 : Not applicable.**

**Foreign exchange earnings and outgo : 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:**

Pursuant to Clause 49 of the listing Agreement with the Stock Exchange, Corporate Governance Report and Auditor's Certificate regarding Compliance of conditions of Governance are made part of the Annual Report.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **ACKNOWLEDGMENT**

Your Directors wish to place on record their appreciation of the services and co-operation extended to us by RBI, our Bankers, investors and Members of Staff of the Company, during the year under report. Your directors also wish to thank the shareholders for their support.

For and on behalf of the Board of Directors.

Place : Manipal  
Date : 10th August, 2004

Sd/-  
**(K. K. Pai)**  
Chairman





## CORPORATE GOVERNANCE REPORT

The Directors present the Company's Report on Corporate Governance as on 31-03-2004 as required under Clause 49 of the Listing Agreement.

### 1. Company's Philosophy on Code of Corporate Governance:

The Company believes in good Corporate Governance and have taken efforts to implement the same wherever possible in the present circumstances.

### 2. Board of Directors:

The Board comprised of three Directors, of which one is executive and two were non-executive. Chairman of the Board is non-executive Director.

The non-executive Directors are eminent personalities with experience in Banking, Management, Finance and Education.

#### (i) Number of Board Meetings and Attendance of Directors:

The Board met 6 times during 2003-2004.

The details are as follows:

Date of Meeting	Board Strength	No. of Directors Present
13th May, 2003	3	3
30th June, 2003	3	3
22nd September, 2003	3	3
15th November, 2003	3	3
29th January, 2004	3	3
3rd March, 2004	3	3

The last AGM was held on 26th December, 2003 (extended by 3 months after obtaining approval of the Registrar of Companies, Karnataka) out of 3 Directors, 2 Directors attended the AGM.

### 3. Audit Committee:

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

Sri K. K. Pai – Chairman  
Sri T. Mohandas Pai  
Dr. K. Mohandas Pai

The role and terms of reference of the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956, besides other terms referred to by the Board of Directors from time-to-time. During the year the Committee met on 28th June, 2003, 14th November, 2003 and 3rd March, 2004.

The Company Secretary acts as the Secretary to the Audit Committee.

Attendance of the Directors in the Audit Committee Meeting:

Meeting held on	No. of Members Present
28-06-2003	3
14-11-2003	3
03-03-2004	2

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

Sl. No.	Name of the Directors	Category of Directorship	No. of Meetings Attended	Attendance at last AGM	No. of other Directorship	No. of Membership (M) Chairman (C)
1.	Mr. K. K. Pai Chairman	Non-Executive	6	Yes	8	2(C)
2.	Mr. T. Mohandas Pai	Promoter Executive	6	No	11	3 (M)
3.	Mr. K. Mohandas Pai	Non-executive	6	Yes	1	2(M)





#### 4. Remuneration Committee:

Managing Director is the only whole-time Director of the Company and he does not draw any remuneration and none of the other Directors draw any remuneration. Therefore this Committee has not been formed.

Details of remuneration for the year ended 31st March, 2004:

i) Whole-time Directors: Nil

ii) Non-Executive Directors:

Non-Executive Directors stopped drawing any remuneration by way of sitting fees for attending Board/Committee Meetings.

#### 5. Shareholders/Investors Grievance Committee:

The Committee, comprising of two members of the Board, approves transfer, transmission, issue of duplicate shares and review and redress Shareholders grievance/complaint on matters relating to transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividend warrants etc. The Committee met 14 times during the year under report.

The composition of Shareholders'/Investors' Grievance Committee and attendance of members in the meeting is given below:

Sl. No.	Name	Status	No. of Meetings Attended
1.	Mr. K. K. Pai	Chairman - Non-Executive	14
2.	Mr. T. Mohandas Pai	Managing Director	14

The Company Secretary is the Compliance Officer.

Number of Shareholders Complaints received: 121

Number of Shareholders Complaints Replied/Settled: 121

Number not solved to the satisfaction of shareholders: NIL

Number of pending Share transfers: NIL

#### 6. Annual General Meetings:

The last three Annual General Meetings were held in Nehru Memorial Library Hall, Manipal – 576 104 as under:

AGM No.	Date	Time	Special Resolution required for
30	27-08-2001	4.00 p.m.	NIL
31	27-09-2002	4.00 p.m.	i) Appointment of Mr. T. Mohandas Pai as Whole-time Director ii) Voluntary Delisting of Equity Shares from Bangalore and Mumbai Stock Exchange iii) Amendment of Article No. 11 of Articles of Association
32	26-12-2003	4.00 p.m.	i) Voluntary Delisting of Equity shares from Mangalore Stock Exchange

All the resolutions as set out in the respective notices were passed by the shareholders. No special resolutions were required to be put through the Postal Ballot.

#### 7. Postal Ballot:

The Notice of 33rd Annual General Meeting for the year 2004 does not contain any item which requires approval by Postal Ballot.

#### 8. Disclosures:

(i) (a) National Stock Exchange suspended trading in our equity shares w.e.f. 27th June, 2002 for Non-submission of the Board Meeting Notice for the quarter ended 30th September, 2000, December 31, 2000, March 31, 2001 and non-submission of Limited Review Report for the half year ended 31st December, 2000. The non-submission was due to the restructuring of the operations of the Company during that period as the exact impact of the restructuring process could not be ascertained as on the reporting date.



We have requested National Stock Exchange to condone the lapses and revoke the suspension.

(b) As required by the National Stock Exchange the Company had acquired 2,90,000 equity shares of ICDS Securities Ltd. by way of inter-se transfer with the approval of Government of India. As there was a technical violation of SEBI (Substantial acquisition of shares and takeovers) Regulations, 1997 SEBI levied a penalty of Rs. 25,000/- vide its order dated 20th August, 2001 and the same has since been paid.

(ii) There were no transactions with the Director or Management, their subsidiaries of their relatives etc., other than those disclosed under related party transactions, that may have potential conflict with the interest of Company at large.

#### 8. Means of Communication:

- Quarterly/Half-Yearly Financial Results of the Company are forwarded to National Stock Exchange and Mangalore Stock Exchange.
- Company does not have web site.
- Company has not made any presentations to any Institutional Investors/Analyst during the year.

#### Management Discussion and Analysis Report:

##### Industry Structure:

After the new regulatory norms for deposit taking NBFC's were issued by RBI all of a sudden in January, 1998, a large number of Hire Purchase and Leasing Companies had to close their shutters for many reasons. Among others the resources available to these Companies were curtailed. Secondly, the HP/Leasing Companies could not comply with the regulatory requirements of RBI especially in respect of the holding of public deposits under downward revision of the Ceiling. With this the structure of NBFC industry was changed. Only a few large

NBFC's which were not relying on public deposits, have survived. The process of financial structure reformation initiated by Govt. of India in 1991 has also prompted the Banks in both public sector and private sector to enter into financing consumer durables and other equipments. The drastic fall in interest rates during last 5/6 years has put NBFC sector in to a disadvantageous position.

##### Business Review:

As reported in the previous year, the Company is not doing any business in Hire purchase and Leasing. The RBI has cancelled the Registration issued by them classifying the company as Hire purchase and Leasing Finance Company. Consequent to the company filing a petition before the High Court of Karnataka with a scheme of arrangement to repay the public investments in a phased manner. The Company has been prohibited from undertaking any fund based business activities. Therefore the Company is presently concentrating on recovery of dues, Collection of other receivables etc. As already informed to the members earlier, the Company is pursuing marketing of insurance products for both General and Life insurance and exploring the possibilities of diversifying into other fee based business.

##### Internal Control Systems:

The Audit Committee of your Board met three times during the year and reviewed the adequacy and effectiveness of the internal control and internal audit. During the year under report internal audit is being done by the Company departmentally in order to reduce the expenses.

##### Discussion on Financial Performance:

The discussion on financial performance of the Company is covered in the Directors Report.

##### Human Resource Development:

During the year under report, in order to reduce the establishment expenses, Company introduced Sabbatical Leave and 20 employees availed the