



Regd. Office: Syndicate House, Manipal – 576 104

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34th Annual Report

2004 – 2005



Chairman : K. K. Pai

Whole-time Director : T. Mohandas Pai

Director : Dr. K. Mohandas Pai

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 – 576 104

Bankers : SYNDICATEBANK
CORPORATION BANK
ICICI BANK

**Registrar and
Share Transfer Agent**
(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 34th ANNUAL GENERAL MEETING of Members of ICDS Limited will be held on Wednesday, the 24th August, 2005, 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, 2005 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 Dr. K. Mohandas Pai who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and fix their remuneration. M/s Chaturvedi & Shah, Mumbai are eligible for reappointment.

SPECIAL BUSINESS

4. To consider and, if thought fit to pass, with or without modifications the following resolution as an Ordinary Resolution:

RESOLVED THAT subject to the provisions of Section 269 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 5 years with effect from 1st September 2005 without remuneration be and is hereby approved.

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

By Order of the Board

Registered Office:
 Syndicate House
 Manipal – 576 104
 Date: 4th June, 2005

Sd/-
R. Muraladharan
 Company Secretary

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY 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 the Central Government. Those who have not encashed their dividend warrants, for whatever reason, for the period to and including 31st March, 1995 are requested to claim amount from the Registrar of Companies, Karnataka, Bangalore.

Unclaimed dividend for the year ended 31st March, 1996 and 31st March, 1997 has been transferred by the Company to "Investor Education and Protection Fund" set up by the Central Government and no claims shall lie against the fund or the Company in respect of the amounts so transferred.

Unclaimed dividend for the period ended 31st December, 1997 shall become transferable to the fund in January, 2006 and members who have not encashed their dividend warrants for the aforesaid period may send their claims to the Share Department of the Company.

3. As prescribed under the Listing Agreement, additional information on Directors retiring by rotation and seeking reappointment at the Annual General Meeting is furnished below:

Name	: Dr. K. Mohandas Pai
Date of Birth	: 17-08-1920
Date of appointment	: 23-11-1973
Expertise in specific functional areas	: Medical Practitioner. He had been Director of Commercial Banks and NBFCs for a number of years.

List of other Directorships : Nil

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

Chairman/Member of the Committees of the Board of other Companies in which he is Member : Nil

4. The Registrar of Members and Share Transfer Books will remain closed from 17th August, 2005 to 24th August, 2005 in connection with 34th Annual General Meeting.
5. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is attached.

By Order of the Board

Sd/-

R. Muraleedharan
Company Secretary

Place : Manipal
Date : 4th June, 2005



EXPLANATORY STATEMENT :

Item No. 6

Mr. 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 Jt. Managing Director from 3rd August, 1994 to 2nd August 1999. He was redesignated as Managing Director on 10th April, 1995. He was reappointed as Managing Director for a further period of 5 years from 1st September, 1997. The 31st Annual General Meeting held on 27th September, 2002 reappointed him as Whole-time Director of the Company for a period of 3 years from 1st September, 2002 to 30th August, 2005.

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 entire deposits thereby forcing the Company to shrink and become small. He stopped drawing from the Company remuneration and all kinds of perquisites altogether with effect from 1st April, 1999 and since then he is working without any Salary and Perquisites. He has now offered to work without any remuneration until financial position of the Company improves.

Mr. T. Mohandas Pai is a Director of the following Companies:

<i>Name of the Company</i>	<i>Designation</i>
Manipal Prakashana Pvt. Ltd.	Managing Director
Hosali Press Pvt. Ltd.	Director
Shivally Investment Co. Pvt. Ltd.	- do -
Manipal Hotels Ltd.	- do -

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 Whole-Time Director, subject to approval of the shareholders for a period of 5 years from 1st September, 2005 without remuneration.

The Board recommends adoption of the resolution.

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

The Explanatory Statement be treated as abstract of the terms and conditions of contract employment between the Company and Sri T. Mohandas Pai.

By Order of the Board

Sd/-

R. Muralaeeharan
Company Secretary

Place : Manipal
Date : 4th June, 2005



DIRECTORS' REPORT

The Directors present their THIRTY FOURTH ANNUAL REPORT and Audited Statement of Accounts for the year ended 31st March, 2005.

(Rs. in crores)

FINANCIAL RESULTS

	31st March, 2005	31st March, 2004
Total Income	13.57	17.04
Less: Operating Expenses	2.59	2.95
	10.98	14.09
Less: Interest	0.16	0.17
	10.82	13.92
Depreciation	3.48	3.59
Profit/(Loss) before Provision	7.34	10.33
Provision/write offs	9.35	12.12
Profit/(Loss) after Tax	(2.01)	(1.80)

REVIEW OF OPERATIONS

The Company has not done any finance business during the year under report. The fee based activities such as insurance agencies, recovery services for certain cellular and internet service providers was continued during the year. The company is concentrating on the recovery of receivables. In view of loss, your Directors are not able to recommend any dividend.

Total collection during the year of H.P., Lease, Loans, Bills and other receivables were Rs. 97.26 crores.

SCHEME OF ARRANGEMENT

Certified copy of order of the Hon'ble High Court of Karnataka dated 15th October 2004 approving the Scheme of Arrangement received by the Company on 15th December 2004 was filed with the Registrar of Companies, Karnataka on 30th December 2004. The Company started repaying the deposits and other investments etc., in terms of the scheme and till the date hereof Rs. 60.20 Crores has been refunded. As directed by the High Court of Karnataka the 1st instalment as envisaged in the scheme will be paid by 30th

June 2005. Balance public investments outstanding is about Rs.160 crores.

GENERAL INSURANCE AGENCY

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

LIFE INSURANCE

During the year under report also Company continued its agency arrangement with Life Insurance Corporation of India.

COST REDUCTION AND ECONOMY MEASURES

Various measures initiated by the company to reduce the operating expenses have started yielding results and the expenses have come down further during the reporting year.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956 the Audited Statement of Accounts along with reports of the Board of Directors and Auditors of your Company's subsidiaries, namely,



Manipal Hotels Ltd. and Manipal Properties Ltd. are annexed.

DIRECTORS

Dr. K. Mohandas 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, 2005 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 a going concern depends upon the timely recovery from debtors and future business plan. 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 Auditors observations in Para 2(g) and (h), explanations given in the relevant notes

3 to 5 of Schedule 'O' 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: NIL

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 eligible 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 this Report.

CONSOLIDATED FINANCIAL STATEMENTS

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

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the services and co-operation extended to us by 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

Sd/-

(K. K. Pai)
Chairman

Place: Manipal
Date : 4th June 2005



CORPORATE GOVERNANCE REPORT

I. Corporate Governance Code:

The Directors present the Company's Report on Corporate Governance as on 31-03-2005 as required under Clause 49 of the Listing Agreement.

1. Philosophy:

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 are 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 2004-2005. The details are as follows:

Date of Meeting	Board Strength	No. of Directors Present
11th May, 2004	3	2
10th August, 2004	3	2
30th September, 2004	3	2
30th October, 2004	3	2
24th December, 2004	3	3
29th January, 2005	3	2

The last AGM was held on 28th September, 2004 and all the three 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 10th May, 2004, 30th October, 2004 and 29th January, 2005.

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
10-05-2004	2
30-10-2004	2
29-01-2005	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	5	Yes	6	2(C)
2.	Mr. T. Mohandas Pai	Promoter Executive	4	Yes	5	2 (M)
3.	Dr. K. Mohandas Pai	Non-executive	4	Yes	NIL	2(M)



4. Remuneration Committee:

Mr. T. Mohandas Pai 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, 2005:

i) Whole-Time Director: 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 the 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 11 times during the year under report.

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

Sl. No.	Name	Status	No. of Meetings Attended
1.	Mr. K. K. Pai	Chairman - Non-Executive	11
2.	Mr. T. Mohandas Pai	Whole-time Director	11

The Company Secretary is the Compliance Officer.

Number of Shareholders Complaints received: 89

Number of Shareholders Complaints Replied/Settled: 89

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
31	27-09-2002	4.00 p.m.	i) Appointment of Mr. T. Mohandas Pai as Wholetime 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
33	28-09-2004	4.00 p.m.	NIL

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 34th Annual General Meeting for the year 2005 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.

- (ii) There were no transactions with the Director or Management, their subsidiaries or 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:

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

Management Discussion and Analysis Report:

Industry Structure:

In the year 1998, to curb the unhealthy growth of NBFC sector, RBI framed fresh Regulatory guidelines for deposit taking NBFCs. The NBFC sector which was more dependent on Public Deposits, growing in an unhealthy manner. A large number of NBFC's taken advantage of the situation and mobilised huge deposits at a very high rate of interest and incentives and failed to service the deposits. Many NBFC's have disappeared and duped a large number of depositors. The new guidelines intended to protect depositors has changed the fortunes of a large number of NBFC's. Even the well managed and companies with good track record were affected. The regulations were so harsh that even good companies failed to comply with the regulatory norms. Presently there are only less than 1000 NBFC's which are functioning. Recently RBI has indicated that in the course of time NBFC' should refrain from accepting public deposits. The RBI permitted NBFC's to source funds from ECB route. Foreign investment is also permitted. The HP/Lease financing companies will have to source funds from Banking sources or to a limited extent from Secured Debentures/Debt instruments for their working capital.

Thus the structure of NBFC industry has undergone a sea change. RBI has envisaged that the NBFCs should no longer depend on Public Deposits for its operation. NBFC's which have mobilised public deposits will be asked to return when the policy guidelines are issued.

Business Review:

This year also company has not done any business of Hire Purchase and Leasing, like previous year due to the cancellation of the company's registration by RBI. Hon'ble High Court of Karnataka also directed the company not to undertake financing business without the permission of RBI. At present company is concentrating on the recovery of its receivables and payment of public investments in terms of the scheme of arrangement approved by the Hon'ble High Court of Karnataka. The company has also started doing fee based activities such as insurance agency for life and general insurance, recovery services for certain cellular and internet operating companies.

Internal Control Systems:

The Audit Committee met three times during the year under report and reviewed the internal control system prevailing in the company. After the approval of the scheme, repayment and other activities are centralised at Head Office. Due to heavy work load and shortage of competent staff at Head Office the internal audit of Head Office was not undertaken. However, the same will be taken up during the current year.

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 operating expenses, Company introduced the Sabbatical Leave and 13 employees availed the same. Further during the reporting period 23 employees left from the services of the Company and the number of people employed as on 31-3-2005 was 208.