



Regd. Office: Syndicate House, Manipal – 576 104

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# **35th Annual Report**

## **2005 – 2006**



<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>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 ICICI BANK LTD.
<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 35th ANNUAL GENERAL MEETING of Members of ICDS Limited will be held on Friday, the 18th August, 2006, 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, 2006 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 place of Sri K. K. 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, Chartered Accountants, Mumbai are eligible for reappointment.

By Order of the Board

#### Registered Office:

Syndicate House  
Manipal - 576 104  
Date: 25th May 2006

**K. K. Pai**  
Chairman

**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, 31st March, 1997 and 31st December, 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.

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	: Sri K. K. Pai
Date of Birth	: 26-06-1921
Date of Appointment	: 12-05-1990
Expertise in specific functional areas	: Ex-Chairman of Syndicate Bank He had been Director of Commercial Banks and NBFCs for a several years.
List of other directorships held	: MPL Enterprises Ltd. Canara Land Investments Ltd. Fomento Resorts and Hotels Ltd. Sharath Impex Co. Pvt. Ltd. CICB Chemicon Pvt. Ltd.
Chairman/Member of the Committees of the Board	: Chairman – Audit Committee Member – Shareholders Grievance Committee
Chairman / Member of the Committees of the Board of other Companies in which he is Director.	: NIL

4. The Register of Member and Share Transfer Book will remain closed from Friday 11th August, 2006 to Friday 18th August, 2006 (both days inclusive) in connection with 35th Annual General Meeting.

By Order of the Board

**Registered Office:**

Syndicate House  
Manipal – 576 104  
Date: 25th May 2006

**K. K. Pai**  
Chairman



## DIRECTORS' REPORT

The Directors present their THIRTYFIFTH ANNUAL REPORT and Audited Statement of Accounts for the year ended 31st March, 2006.

(Rs. in crores)

### FINANCIAL RESULTS

	31st March, 2006	31st March, 2005
Total Income	12.59	13.57
Less: Operating Expenses	3.03	2.59
	9.56	10.98
Less: Interest	0.26	0.16
	9.30	10.82
Depreciation	3.34	3.48
Profit/(Loss) before Provision	5.96	7.34
Provision/write-offs	5.13	9.35
	0.83	(2.01)
Less: Fringe Benefit Tax (FBT)	0.01	-
Profit/(Loss) after Tax	0.82	(2.01)

### REVIEW OF OPERATIONS

As reposed in the last year's report, the Company has not done any finance business in compliance with the undertaking given to the Hon. High Court of Karnataka. The main activity of the Company was to recover the dues from the Debtors. Fee based income generating activities such as Corporate Agency for Life and General Insurance, Collecting agency of telephone bills for Telephone Service Provider is being pursued. In view of operational loss incurred by the Company, your directors are not able to recommend any dividend. During the year under review the collection of dues under HP/Lease/Loan/Bills and other receivables were Rs.12.63 Crores.

### SCHEME OF ARRANGEMENT

The Company has completed the repayment of 1st instalment before 30th June, 2005 as per the order of High Court of Karnataka. The repayment of second instalment was commenced on 1st July, 2005 and would complete on 30th June, 2006. As against the stipulated date of 30-06-2006 the total

repayment made till the date of this report is as follows:

1st Instalment	Rs. 55.78 Crores
2nd Instalment	Rs. 46.95 Crores
Advance instalments under hardship cases	Rs. 08.34 Crores

**Total : Rs. 111.07 Crores**

### GENERAL INSURANCE AGENCY

During the year under report also Company continued its corporate agency arrangement with Bajaj Allianz General Insurance Company Ltd.

### LIFE INSURANCE

The Agency arrangement with Life Insurance Corporation of India continued during the year under review.

### COST REDUCTION AND ECONOMY MEASURES

Various measures adopted by the Management for cost reduction and economy has yielded good results. The efforts are continuing to minimise the operating expenses.



## 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

Sri K. K. Pai retires in the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

## DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2A) 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, 2006 and of the profit 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 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 3(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

Place: Manipal  
Date : 25th May, 2006

Sd/-  
(K. K. Pai)  
Chairman



## CORPORATE GOVERNANCE REPORT

### I. Corporate Governance Code

The Directors present the Company's Report on Corporate Governance as on 31-03-2006 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 comprises of three Directors, of which one is executive and two 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 etc.

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

The Board met 5 times during 2005 – 2006.

The details are as follows:

Date of Meeting	Board Strength	No. of Directors Present
13th May, 2005	3	2
4th June, 2005	3	3
30th July, 2005	3	3
28th October, 2005	3	2
27th January, 2006	3	2

The last AGM was held on 24th August 2005 and all the three Directors attended the AGM.

(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	NO	6	2(C)
2.	Mr. T. Mohandas Pai	Promoter Executive	4	Yes	5	2 (M)
3.	Dr. K. Mohandas Pai	Non-executive	3	Yes	NIL	2(M)

### 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 292A of the Companies Act, 1956, besides other terms referred to by the Board of Directors from time to time. During the year Committee met on 3rd June, 2005, 30th July, 2005, 28th October, 2005 and 27th January, 2006.

The Company Secretary acts as the Secretary to the Audit Committee. However, Company Secretary has resigned and relieved from the services on 30-01-2006.

Attendance of the Directors in the Audit Committee Meeting:

Meeting held on	No. of Members Present
03-06-2005	3
30-07-2005	2
28-10-2005	2
27-01-2006	2

### 4. Remuneration Committee:

Sri 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, 2006:

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 the two members of the Board, approves transfer, transmission, issue of duplicate Debenture Certificates and Sub-ordinated debts, review and redress shareholders grievances/complaints on matters relating to transfer of shares, Debentures, Sub-ordinated debts, non-receipt of Balance Sheet, non-receipt of Dividend Warrants etc. The Committee met 13 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	13
2.	Mr. T. Mohandas Pai	Whole-time Director	10
3.	Dr. K. Mohandas Pai	Director	3

The Company Secretary is the Compliance Officer. However, Company Secretary has resigned and relieved from the services on 30.01.2006.

Number of Shareholders Complaints received:	84
Number of Shareholders Complaints Settled:	84
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.

AGM No.	Date	Time	Special Resolution required for
32	26-12-2003	4.00 p.m.	Voluntary Delisting of Equity Shares from Mangalore Stock Exchange
33	28-09-2004	4.00 p.m.	NIL
34	24-08-2005	4.00 p.m.	Appointment of Whole-time Director for a period of 5 years with effect from 1st September, 2005

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

#### Postal Ballot:

The notice of 35th Annual General Meeting does not contain any item which requires approval by Postal Ballot.

#### 7. Disclosures:

- National Stock Exchange suspended trading in our equity shares w.e.f. 27th June, 2002 for non-submission of the Board Meeting Notices 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 operation 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.
- 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:

- Quarterly/Half-Yearly Financial Results of the Company are forwarded to National 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:

The objectives envisaged by Reserve Bank of India (RBI) to curtail the unhealthy growth of NBFCs, while issuing the revised guidelines for the deposit taking NBFCs on 2nd January, 1998 are more or less achieved. The NBFC sector which was totally out of control has been brought to discipline. As on date there are only 728 NBFCs which are operating under strict control of RBI and majority of them are not depending upon public deposits for their operations when compared to a huge number of NBFCs existed prior to 1-1-1998. Of late RBI has permitted foreign investment in the NBFC sector. Dependence on public funds by NBFCs has been reduced to a significant level. Registration of new NBFC is not that easy now due to the strict entry norms prescribed by RBI. In other words there is no attraction to the entrepreneurs to start NBFCs for mobilising public deposits at any cost and deploy the funds at exorbitant interest rates. In the process there are hardly any defaulting NBFCs now.

##### Business Review:

As per the undertaking given by the Company to the Hon. High Court of Karnataka at the time of sanction of the scheme of arrangement for repayment of public investments the Company is not engaged in Hire Purchase or Lease Finance business. The repayment of

public investments as per the scheme of arrangement was started on 1st January, 2005. The First instalment amounting to Rs. 55.78 crores as envisaged in the scheme was paid by 30th June, 2005. Payment of second instalment was started from 1st July, 2005. As on 31st March, 2006 Rs. 38.71 crores has been repaid. The balance of second instalment amounting to Rs.13.06 crores will be paid before 30th June, 2006 in compliance with the terms of the Scheme of Arrangement sanctioned.

The company is giving more focus on recovery of dues under Hire Purchase, Lease and other port folios. Simultaneously the Company is concentrating on cost reduction measures to the extent possible to minimize the operational expenses. As explained in the Report of the previous year the Company is exploring the possibilities of diversifying into fee based business. Under corporate agency of Life Insurance Corporation of India and Bajaj Allianz General Insurance Company Ltd., the Company is earning nominal income.

##### Internal Control Systems:

All the payments have been centralised in head office. Powers are not given to the branch officials to incur any expenditure. In the given circumstances there is no need for any Audit at the branch level. The statutory auditors of the Company are auditing the Head Office Accounts. Therefore, internal audit is not found necessary.

##### Discussion on Financial Performance:

The discussion on financial performance of the Company is covered in the Director's Report.

##### Human Resource Development:

There has been no material development on the Human Resources relation front. The number of people employed as on 31-3-2006 was 185.

**9. General Shareholder Information:**

- a) Annual General Meeting : 35th Annual General Meeting  
 Date : 18th August, 2006  
 Time : 4.00 P.M.  
 Venue : Nehru Memorial Library Hall,  
 Manipal – 576 104
- b) Financial Calendar : 1st April to 31st March
- c) Date of Book Closure : 11th August, 2006, to  
 18th August, 2006  
 (both days inclusive)
- d) Dividend : No Dividend has been  
 recommended by the Board  
 of Directors for the year  
 ended 31-03-2006.
- e) Registered Office : Syndicate House  
 Manipal – 576 104
- f) Listing on Stock  
 Exchanges : The new equity shares  
 issued under the Scheme of  
 arrangement are listed on  
 National Stock Exchange of  
 India Ltd.

**Note:** Annual Listing Fee has been paid upto date.

- g) a) Stock Code : ICDS LTD. EQ (NSE)  
 b) Dematerialisation  
 of Shares : ISIN No. INE 613B 1010

As on 31st March 2006, 37,05,962 Equity Shares forming 28.44% share capital of the Company stands dematerialised.

**h) Market Price Data : Not Available**

**Note:** There had been no trading in our Equity Shares in National Stock Exchange from June, 2002.

**i) 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**  
**Phone No: (044) 28460390**

**j) Share Transfer System:**

As directed by SEBI, Company has appointed Cameo Corporate Services Ltd., V Floor, Subrahmanian Building, No.1, Club House Road, Chennai – 600002, as Registrar and Share Transfer Agent under demat and physical form effective March, 2003. Till this date Share Transfers etc., were done in-house once in two weeks. The shareholders/investor's Grievance Committee approved all share transfer and transmissions upon its receipt from the Registrars.

**k) Distribution of Equity Shareholding as on 31st March, 2006:**

No. of Shares held	No. of Shareholders	No. of Shares	Percentage
1 – 500	4778	764018	5.87
501 – 1000	544	378845	2.90
1001 – 2000	240	335047	2.57
2001 – 3000	69	172263	1.32
3001 – 4000	41	147672	1.14
4001 – 5000	19	83818	0.64
5001 – 10000	29	209729	1.61
10001 and above	84	10935308	83.95
<b>TOTAL</b>	<b>5804</b>	<b>13026700</b>	<b>100.00</b>

Pattern of Equity Shareholding as on 31st March, 2006:

Shareholders	No. of Shares held	Percentage
Non-residents	8644	0.07
Foreign Institutional Investors	400000	3.07
Directors, Relatives, Friends and Associates	6586109	50.56
Financial Institutions	1877958	14.41
Banks	4528	0.03
Corporate Bodies	310181	2.38
Others	3839280	29.48
<b>TOTAL</b>	<b>13026700</b>	<b>100.00</b>