



**IL&FS VENTURE CORPORATION LIMITED**

*Energising Capital. Realising Ideas*

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Annual  
Report  
2000-2001

## Annual Report 2000 - 2001

### BOARD OF DIRECTORS

Mr. S.M.Datta *Chairman*  
 Mr. Ravi Parthasarathy  
 Mr. Vimal Bhandari  
 Mr. Shahzaad Dalal  
 Mr. N.S.Nayak  
 Mr. T.R. Madhavan  
 Mr. V.V.Subramanian  
 Ms. Usha Rao-Monari  
 Mr. Bansi S. Mehta  
 Mr. G.Parameswaran  
 Mr. Hetal Gandhi *Managing Director*

### COMPANY SECRETARY

Mr. Sanjay Mitra

### BANKERS

HDFC Bank  
 Bank of Baroda

### AUDITORS

S.B.Billimoria & Co  
 Chartered Accountants

### INTERNAL AUDITORS

Patel & Deodhar  
 Chartered Accountants

### REGISTERED OFFICE

HDFC House, 5th Floor  
 51, Kasturba Road  
 Bangalore 560 001

### OTHER OFFICES

Mumbai  
 The IL&FS Financial Centre, 7th Floor  
 Plot No.C-22, G Block  
 Bandra-Kurla Complex  
 Bandra (East)  
 Mumbai 400 051

New Delhi  
 USI Complex  
 Rao Tula Ram Marg  
 Opp. Signals Enclave  
 New Delhi 110 010

### REGISTRARS & SHARE TRANSFER AGENTS

Investor Services of India Limited  
 IDBI Building, 2nd Floor  
 "A" Wing, Sector 11, Plot No.39,40,41  
 CBD Belapur, Navi Mumbai 400 614  
 Phone : 022-757 9636  
 Fax : 022-757 9650

## IFS Venture Corporation Limited

### NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on Monday, August 20, 2001 at 11.00 a.m. at The Senate Hall, The Capitol Hotel, Raj Bhavan Road, Bangalore 560 001, to transact the following business:

#### ORDINARY BUSINESS

- (1) To receive and adopt the Audited Balance Sheet as at March 31, 2001 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon
- (2) To declare dividend on Equity Shares for the year ended March 31, 2001
- (3) To appoint a Director in place of Mr Ravi Parthasarathy who retires by rotation and being eligible, has offered himself for re-appointment
- (4) To appoint a Director in place of Mr Bansi S Mehta who retires by rotation and being eligible, has offered himself for re-appointment
- (5) To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration

#### SPECIAL BUSINESS

- (6) To appoint a Director in place of Ms Usha Rao-Monari who was appointed in the casual vacancy caused by the resignation of Mr Eric Cruikshank and holds office upto the date of the ensuing Annual General Meeting and being eligible has offered herself for re-appointment and in respect of whom the Company has received a notice in writing along with a deposit of Rs. 500/- from a member proposing her candidature for the office of Director
- (7) To consider and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution  
**"RESOLVED THAT** pursuant to the Articles of Association of the Company, provisions of Section 198, 309, Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any modifications thereof and subject to the approval of the Central Government, if required, the remuneration of Mr Hetal Gandhi, the Managing Director of the Company be revised with effect from April 1, 2001 as under"  
  - (a) Tenure: For a period of five (5) years, with effect from November 9, 1998
  - (b) Consolidated Salary: Within the limits of Rs. 1,25,000/- per month to Rs. 3,00,000/- per month, to be determined by the Compensation Committee from time to time
  - (c) Perquisites:
    - (i) Housing: The Company shall provide fully furnished accommodation. In case no accommodation is provided, House Rent Allowance shall be paid at the rate as determined by the Board of Directors or any Committee thereof
    - (ii) Medical Reimbursement: Expenses incurred for the Managing Director and his family subject to a ceiling of one month's salary
    - (iii) Leave Travel Allowance: For the Managing Director and his family once in a year subject to a ceiling of one month's salary
    - (iv) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees
    - (v) Personal Accident Insurance: As per rules of the Company
    - (vi) Mediclinic Insurance: The Managing Director and his family will be covered at the Company's cost under the Mediclinic Insurance Policy. Medical expenses not covered under the Mediclinic policy will be reimbursed subject to the rules being in force  
Explanation: For the purposes of (ii), (iii) and (vi), "Family" means spouse, dependent children and dependent parents
    - (vii) Car: Car for use on Company's business. The use of car for private purposes will be billed by the Company, as per rules of the Company or as may be specified at the time of re-appointment
    - (viii) Gas & Electricity: Reimbursement of gas & electricity charges at residence, as per rules of the Company  
Explanation: The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962
    - (ix) Soft Furnishing: Reimbursement of soft furnishing at residence, as per rules of the Company
    - (x) Telephone/Fax: Provision for telephone(s)/fax at residence. Personal long distance calls will be billed by the Company as per rules of the Company or as may be specified at the time of re-appointment

**Annual Report 2000 - 2001**

- (xi) Retirement Benefits: Contributions to Provident Fund, Superannuation Fund and Gratuity Fund, as per rules of the Company
- (xii) Leave Encashment: Encashment of leave, as per the rules of the Company, subject to deduction of tax at source, as applicable
- (d) Commission: Such remuneration by way of commission or performance based rewards/incentives, in addition to the above salary and perquisites, calculated with reference to the net profits of the Company in a particular financial year, as may be determined by the Board of Directors of the Company or any Committee thereof, at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956
- (e) General Conditions:
  - (i) The total remuneration payable to the Managing Director shall not exceed such limit as may be prescribed by the Central Government
  - (ii) The Managing Director will be entitled to such other privileges, facilities and amenities in accordance with the Company's rules and regulations as may be applicable to other employees of the Company within the overall limits prescribed under the Companies Act, 1956
- (f) Minimum Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate, remuneration by way of salary, commission and perquisites shall not exceed the aggregate of the annual remuneration as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII to the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors, subject to approval of the Central Government, if required

Registered Office

HDFC House, 5th Floor  
51, Kasturba Road  
Bangalore 560 001, India

By Order of the Board of Directors

Dated : June 12, 2001

**Sanjay Mitra**  
Company Secretary

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 6**

Ms Usha Rao-Monari was appointed as a Director in the casual vacancy caused by the resignation of Mr Erik Cruikshank. Since Ms Usha Rao-Monari was appointed in a casual vacancy she holds office upto the date of the ensuing Annual General Meeting as per the provisions of Section 262 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company

The Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a Member, proposing her candidature for the office of Director

The Board recommends passing of this resolution

None of the Directors of the Company except Ms Usha Rao-Monari are concerned or interested in this resolution

**Item No. 7**

Mr Hetal Gandhi was appointed as the Managing Director of the Company at the Extraordinary General Meeting held on April 24, 1999 for a period of 5 years from November 09, 1998 on a consolidated salary within the limits of Rs. 60,000/- per month to Rs. 1,25,000/- per month, to be determined by the Board of Directors of the Company from time to time and on other terms and conditions. The Board has revised his consolidated salary with effect from April 1, 2000 to Rs. 1,25,000/- per month. Hence it is proposed to revise the salary as mentioned in the resolution to provide for future revisions in his remuneration

The Board recommends passing of the resolution

None of the Directors of the Company except Mr Hetal Gandhi are concerned or interested in the resolution

## IL&FS Venture Corporation Limited

### 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 A PROXY NEED NOT BE A MEMBER OF THE COMPANY  
Proxies in order to be effective must be delivered at the Registered Office of the Company atleast 48 hours before the time appointed for the meeting
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, August 14, 2001 to Monday, August 20, 2001 (both days inclusive). The Dividend as recommended by the Directors, if approved by the shareholders, will be payable on or after August 20, 2001
3. Members desiring any information on the business to be transacted at the Annual General Meeting are requested to write to the Company at least 10 days in advance to enable the Management to keep the information, as far as possible, ready at the Meeting
4. Members are requested to bring their copy of the Annual Report to the Annual General Meeting. Members/proxies should bring the attendance slip duly filled in for attending the Meeting
5. Members holding shares in the same set of names under different Ledger Folios are requested to apply for consolidation of such folios alongwith relevant share certificates to the Company's Registrars & Transfer Agents. Members are also requested to intimate the Registrar and Transfer Agents of the Company of any change in their registered address. Members holding shares in dematerialised mode should intimate their respective Depository Participants of their change in address
6. All correspondence in connection with unclaimed dividend should be addressed to the Registrar and Transfer Agents of the Company
7. The resolutions regarding the re-appointment of Mr Ravi Parthasarathy and Mr Bansil S Mehta and Ms Usha Rao-Monari as Directors of the Company are placed before the shareholders. As per Clause 49 of the Listing Agreement with the stock exchanges the following particulars of Mr Ravi Parthasarathy, Mr Bansil S Mehta and Ms Usha Rao-Monari are being provided :

**Mr Ravi Parthasarathy**

Qualifications : B.Sc., M.B.A.

Presently Vice-Chairman and Managing Director, Infrastructure Leasing & Financial Services Limited. He is also a member of the Compensation Committee of the Company

Other Directorships:

Name of the Company	Position held	Member of Committee
Infrastructure Leasing & Financial Services Limited	Vice-Chairman and Managing Director	Compensation Committee
Schoolnet India Limited	Chairman	
Investsmart India Limited	Chairman	
Tamilnadu Road Development Company Limited	Chairman	
IL&FS Asset Management Company Limited	Chairman	
PDCOR Limited	Chairman	Chairman of Compensation Committee
National Stock Exchange of India Limited	Director	
Iridium India Telecom Limited	Director	
Orix Auto Finance (India) Limited	Director	
Noida Toll Bridge Company Limited	Director	
New Tirupur Area Development Corporation Limited	Director	Chairman of Corporate Governance Committee Member of Audit Committee
Petronet India Limited	Director	
Digital Equipment (India) Limited	Director	
IPFOnline Limited	Director	
Pathfinder Investment Company Private Limited	Director	
Ambit Corporate Finance Private Limited	Director	
Consolidated Toll Network India Private Limited	Director	
Mahindra Industrial Park Limited	Alternate Director	

**Annual Report 2000 - 2001****Mr Bansi S Mehta**

Qualifications : B.Com (Hons.), F.C.A.

Practising Chartered Accountant &amp; Tax Consultant and also Past President of the Institute of Chartered Accountants of India. He is also the Chairman of the Audit Committee of the Company

Other Directorships:

Name of the Company	Position held	Member of Committee
Allied Photographics India Limited	Director	Audit Committee
Atul Limited	Director	
Bharat Bijlee Limited	Director	Audit Committee
Birla Sun Life Trustee Co. Ltd.	Director	
Century Enka Limited	Director	
Ceat Limited	Director	
Global Aviation Services Pvt. Ltd.	Director	Compensation Committee & Audit Committee
Housing Development Finance Corporation Limited	Director	
Pidilite Industries Limited	Director	Chairman of the Audit Committee
Procter & Gamble Hygiene and Health Care Limited	Director	Audit Committee
Varun Shipping Limited	Director	
Sudarshan Chemical Industries Limited	Director	Chairman of the Audit Committee
The Dawn Mills Co. Ltd.	Director	Chairman of the Audit Committee
Vinyl Chemicals (India) Limited	Director	
Demech Contractors Limited	Director	
Chemetall Rai India Limited	Alternate Director	
J.B. Chemicals & Pharmaceuticals Limited	Alternate Director	Chairman of the Audit Committee
Uhde India Limited	Alternate Director	
Sasken Communication Technologies Limited	Alternate Director	Chairman of the Audit Committee
Procter & Gamble Distribution Co. Ltd.	Alternate Director	

**Ms Usha Rao-Monari**

Qualifications : Masters in International Affairs &amp; Business Administration from Columbia University

She is the Regional Manager, New Investments, South Asia for the International Finance Corporation and is also the Country Head, India

Registered Office

By Order of the Board of Directors

HDFC House, 5th Floor  
51, Kasturba Road  
Bangalore 560 001, India**Sanjay Mitra**

Company Secretary

Dated : June 12, 2001

## ISPS Venture Corporation Limited

### DIRECTORS' REPORT

The Shareholders

#### ISPS Venture Corporation Limited

Your Directors have pleasure in presenting for your consideration and approval the Fifteenth Annual Report with the Audited Financials of the Company for the year ended March 31, 2001

#### FINANCIAL ACHIEVEMENTS AND DIVIDEND

	For the year ended March 31, 2001	For the year ended March 31, 2000
Total Income	103.76	81.97
Operating Profit for the year	54.12	41.70
Exceptional Items	14.66	1.57
Profit before Taxation	39.46	40.13
Provision for Taxation	3.10	4.10
Net Profit after Taxation	36.36	36.03
Balance of Profit/(Loss) b/f	12.51	8.78
Profit/(Loss) available for appropriation	48.87	44.81
<b>Appropriations :</b>		
Statutory Reserve	7.30	7.30
General Reserve	2.80	2.00
Dividend (inclusive of dividend tax)	27.30	23.00
Balance carried to Balance Sheet	11.47	12.51

#### DIVIDEND

During the year, your Company achieved a net profit after tax of Rs 36.36 million. Your Directors recommend a pro-rata dividend of Rs 1.70 per share. The total amount of dividend is Rs 27.3 million including dividend tax of Rs 2.5 million

#### REVIEW OF OPERATIONS

**Income:** During the year, the gross income increased by around 26% to Rs 103.76 million on account of dividends from the Information Technology Fund and other investments. The management fees on funds under management continue to constitute a significant portion of the total income. The management fees are paid as a percentage of the funds under management, and therefore bear a direct correlation with the size of funds. As discussed later, your Company has launched a new fund in partnership with INVESCO Private Capital Inc. (INVESCO), a leading venture capital company in United States

**Profits:** Your Company continues to hold some proprietary investments made under the erstwhile management. While over the years the focus has been on divesting the proprietary portfolio, some of the investments have become totally illiquid. Your Management pursues a very conservative accounting policy, and has therefore made a provision for all these investments. In addition, provision has also been made for decline in the value of your Company's mutual funds investments. As a result, the profit after tax of Rs 36.36 million is almost at the same level as last year, despite the increase in income

**Operating Environment:** The investment environment has become more challenging with slow down in the growth of developed economies, accompanied with the melt down in stock valuations. This has not only affected the investment activity, but is also likely to delay exits for most venture capital investments. Your Management continues to focus on working more closely with its investee companies to ensure that they maintain stability in this difficult environment

## Annual Report 2000 - 2001

### REVIEW OF FUNDS UNDER MANAGEMENT

The aggregate corpus of funds under management has declined marginally to Rs 2.2 billion due to the winding down of Uttar Pradesh Venture Capital Fund. Your Company has so far committed/invested nearly 60% of the available corpus

The **South Asian Regional Apex Fund (SARA Fund)** has committed more than 60% of the Committed Capital of Rs 1.1 billion. As of March 2001 it had made 13 investments in companies across sectors including information technology, media, biotechnology, distribution and manufacturing. The performance of the investee companies has been satisfactory barring a couple of them where the performance has been well below the expectations. Due to the adverse capital market conditions 2 of the investee companies which had planned its initial public offering had to defer its plan

The **India Auto Ancillary Fund (IAAF)** which was set up in 1998 as a sector specific fund to invest in the auto components sector in India has so far made 4 investments. Considering the prevailing recession in the automobile sector, the investors in the fund have given the flexibility to IVC to invest upto 50% of the committed capital in other growth sectors. Most of the investee companies are performing in line with the expectations. During the current year divestment in respect of one company is expected to happen

The **Tamilnadu Infotech Fund (TIF)** with a focus on investments in technology sector in the State of Tamilnadu has made 4 investments till date. In the case of 3 investments, subsequent round of funding has been achieved at valuations higher than that paid by TIF

The **Information Technology (IT) Fund**, with a committed corpus of Rs 100 million, has been fully invested. During the year, IT Fund made partial exit from one of its investments which achieved listing on the stock exchanges. During the year the IT Fund distributed dividend equivalent to 50% of its committed corpus

### CHANCELLOR INDIA FUND I

Your Company had launched the Chancellor India Fund I in the last quarter of 2000 in partnership with INVESCO. The initial target of the Fund was to raise US\$75 million for investments in India related global companies in the high growth technology and life sciences sectors

INVESCO is an eminent venture capital management company having significant experience, network and track record. Your Company expects to significantly benefit from this partnership in the years to come

Your Management had envisaged a financial closure for this Fund by the 3rd quarter of year 2001. While, several investors have made commitments for the Chancellor Fund, in keeping with the current depressed investment sentiments there could be delays in achieving the foregoing objective

### INCREASE IN SHARE CAPITAL

Your Company issued 54,599 equity shares on the exercise of warrants issued under the Employee Stock Option Plan. Due to this the issued, subscribed and paid up capital of your Company stands at Rs.146,177,990

### CORPORATE GOVERNANCE

The Corporate Governance compliance is not mandatory for the Company till March 31, 2001. However, in pursuance of the policy of the Company to raise the corporate governance and management standards across the Company and adding more value to the management and shareholder information, your Company has adopted the Code of Corporate Governance from the financial year 2000-01. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Reports on Management Discussion and Analysis and Corporate Governance have been included in this Annual Report as separate sections

### DIRECTORS

Mr Ravi Parthasarathy and Mr Banshi S Mehta retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment. Ms Usha Rao-Monari who was appointed in the casual vacancy caused by the resignation of Mr Eric Cruikshank holds office upto the date of the ensuing Annual General Meeting of the Company and being eligible offers herself for re-appointment

### STATUTORY AUDITORS

The Statutory Auditors of the Company M/s S B Billimoria & Company, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed, at the ensuing Annual General Meeting