

13th ANNUAL REPORT 2003 - 2004



INDOCOUNT FINANCE LIMITED



Board of Directors	Shri ANIL KUMAR JAIN	Chairman
	Shri PARMOD JAIN	Director
	Shri SUNIL JAIN	Director
	Shri G.P. AGRAWAL	Director
	Shri K. MURALIDHARAN	Director
	Shri R.S.R. MURTHY	Director

Manager Finance & Company Secretary	Shri ANIL KAUSHAL
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Auditors	M/s. ANIL RAI ASSOCIATES, Chartered Accountants
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Bankers	KARNATAKA BANK LIMITED
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Registered Office	D-1, MIDC Industrial Area, Gokul Shirgaon, Kolhapur - 416 234 Maharashtra.
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Head Office	301, "ARCADIA" Nariman Point, Mumbai - 400 021 Maharashtra.
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Corporate Office	705, Pragati Tower, 26, Rajendra Place, New Delhi - 110 008
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NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the shareholders of INDOCOUNT FINANCE LIMITED will be held on Tuesday, the 28th day of September, 2004 at 2.00 p.m. at Hotel Shalini Palace, Rankala, Kolhapur - 416 010, Maharashtra to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004, the Profit and Loss Account for the year ended on that date and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in Place of Shri Anil Kumar Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri G.P. Agrawal who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution :

"RESOLVED THAT M/s Anil Rai Associates, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting at a remuneration to be decided by the Board of Directors plus out of pocket expenses incurred in the performance of their duties."

By Order of the Board
For INDOCOUNT FINANCE LIMITED

Place : Mumbai
Dated : 28th June, 2004

ANIL KAUSHAL
Manager Finance &
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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD BE DEPOSITED AT THE CORPORATE OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Register of Members and the Share Transfer Books of the Company will remain closed from 22.09.2004 to 28.09.2004 (both days inclusive).
3. Members are requested to :
 - i) intimate, change, if any, in their registered addresses.
 - ii) Quote ledger folio, in their correspondence.
 - iii) Intimate about consolidation of folios if shareholdings are under multiple folios.
 - iv) Members /proxies should bring the attendance slip duly filled for attending the meeting.
 - v) Members are requested to send their queries, if any, atleast 14 days in advance of the meeting addressed to the "Company Secretary, Indocount Finance Limited at 705, Pragati Tower, 26, Rajendra Place, New Delhi - 110 008" so that information can be made available at the meeting.
 - vi) Trading in Equity Shares of the Company are in compulsorily de-mat mode w.e.f. 26.03.2001.



DIRECTORS' REPORT

Your Directors present their 13th ANNUAL REPORT, alongwith the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

The Financial Results for the year ended on 31st March, 2004 are as under :

	2003-2004 (Rs. in lacs)	2002-2003 (Rs. in lacs)
Total Income	52.30	68.40
Gross Profit Before Depreciation	13.92	22.69
Less : Depreciation	4.39	5.27
Profit Before Tax	9.53	17.42
Less: Provision for Taxation	3.42	6.96
Net Profit After Tax	6.11	10.46
Less : Transfer to Special Reserve	1.22	2.10
Add : Profit brought forward from previous year	57.73	49.37
Balance carried to Balance Sheet	62.62	57.73

PERFORMANCE REVIEW

The operations of the Company had further gone down during the current year. However it could maintain the profitability by minimising the cost of operations. The Company had already decided for diversification in some manufacturing activity as the future of small size NBFCs is bleak, whose cost of funds is very high and are not able to sustain the competition from Banks and large size NBFCs. However Company is not able to identify the right direction for diversification and is currently evaluating the various options. However the Company is hopeful to identify the right track shortly.

DIVIDEND

In order to augment it's Funds requirement, your Directors do not recommend any dividend for the year.

DEPOSITS

The Company has not accepted any fixed deposits from the Public.

DIRECTORS

In terms of the provisions of the Companies Act, 1956 read with the Articles of Association, Shri Anil Kumar Jain and Shri G.P. Agrawal, Director(s) of the Company, retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri. S.R. Bansal who wished not to be re-appointed in the last Annual General Meeting ceases to be Director from the Board on 30.09.2003. Shri O.P. Shroff also resigned from the Board on 25.09.2003. Board wishes to place gratitude for the valuable contribution made by them during their tenure.

AUDITORS

The Auditors, M/s Anil Rai Associates, Chartered Accountants retire at the conclusion of this Annual

General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate to the effect under Section 224 (1-B) of the Companies Act, 1956.

AUDITORS' REPORT

The Observations of the Auditors in their report are explained wherever necessary in the notes to accounts.

LISTING

The Company's shares are listed on the following stock exchanges and the annual listing fees has been paid to each such stock exchanges :

- | | |
|---|---|
| 1. The Delhi Stock Exchange Association Ltd.
DSE House, 3/1, Asaf Ali Road,
New Delhi - 110 002 | 2. The Stock Exchange, Mumbai
Phiroze Jejeebhoy Towers
Dalal Street, Mumbai-400 001 |
|---|---|

PERSONNEL

Provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable as none of the employee was in receipt of remuneration of Rs. 2,00,000/- per month or Rs. 24,00,000/- per annum or more.

DISCLOSURE

Being a Non-Banking Financial Company, inclusion of particulars with respect to conservation of energy and technology absorption as required under Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is not required.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm :

- a) that in preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- b) that the Directors had selected such accounting policies 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 at the end of the financial year ended on 31st March, 2004 and of the profit of the Company for that year;
- c) that the Directors had taken proper and sufficient care for maintenance of adequate accounting records for the year ended 31st March, 2004 in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;
- d) that the Directors had prepared the Annual Accounts on a going concern basis.

ACKNOWLEDGMENTS

Your Directors place on record their appreciation for the support made by the employees at all levels, Bankers, Shareholders and Customers of the Company.

For and on behalf of the Board of Directors

Place : Mumbai
Dated : 28th June, 2004

ANIL KUMAR JAIN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY AND BUSINESS OUTLOOK

Non Banking Finance Companies play major role in equipment finance and hire purchase finance. Although there are large number of foreign Banks in this arena and all nationalized banks have also entered in this field, the role of NBFCs are unchallengable. Their role as effective financial intermediaries has been well recognized as they have inherent ability to take inherent decisions, flexible structure assume greater risks, apply innovative marketing strategies and customize their products and services according to the needs of the clients.

The financial and leasing industry will go through a phase of expansion due to strong demand from the economy. The economic indicators are strong. Your Company hope to explore the opportunities thrown up by the economy.

RISKS & CONCERNS

NBFCs are exposed to high level of risk which is inherent part of their business. Your Company is also subjected to various types of such risks. Your Company has strengthened itself by a clear understanding of various risks and adopted various strategies and procedures to reduce the impact of such risks.

Credit risks considered to be major risk being faced by NBFCs. For credit risk, distinct policies and systems have been followed by your Company to closely monitor the same. Your Company is having appropriate pre disbursal and post disbursement monitoring and regular follow up of the collection process. A low level of NPA in proportion to the assets of your Company reflects its sound risk management policies. Your Company also follow provisioning norms of RBI.

OPPORTUNITIES AND THREATS

There are tremendous business opportunities for finance companies at the same time the industry need to find out ways to adopt and evolve in the new market amidst regulatory conditions while facing ever increasing competition. There is a large scope of small size NBFCs like ours, for certain segment of customers, which remain unserved by Banks and large size NBFCs.

The major threat being faced by NBFCs are from aggressive marketing of Banks.

INTERNAL CONTROL AND THEIR ADEQUACY

Management Information Systems (MIS) forms the backbone of your Company's control mechanism. Your Company has implemented effective systems so that assets and interest of the Company are safeguarded. The internal control systems are developed to ensure that records of the Company can be relied upon to draw financial statements and conclusion based on these statements. The internal control is regularly reviewed and augmented by the Audit Committee. The management feels that the system of internal controls are adequate, considering the size of operations of the Company.

HUMAN RESOURCES

Employees are your Company's most valued resource. Operating in the service industry, your Company's performance is heavily dependent on the knowledge and expertise of its personnel. Your Company has a strong and dedicated team of professionals who cater to the functional diversities of the Company and always extend a willing hand to the other employees in case any guidance is required. It has always been the Company's endeavor to work on the contest of continuous improving the skill sets of each employee that in turn leads to the improvement in organisational performance.

CAUTIONARY STATEMENT

Statement in this Management Discussion describing the Company's objectives, estimates, expectations may constitute "Forward Looking Statement" within the meaning of applicable laws. Actual results might differ materially from those either expressed or implied. Important factors that could make a difference to the Company's operations include demand and supply conditions, cyclical demand, changes in Government regulations, tax regimes, economic development within India.

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CORPORATE GOVERNANCE REPORT

1. Company's Philosophy

The Management of the Company recognizes the importance of Corporate Governance for better transparency as well protection of Shareholder's interest.

2. Board of Directors

The Board of Directors of the Company comprises of all Non-Executive Directors headed by Non-Executive Chairman. The present strength of the board is 6 (six) and out of which 4 (Four) are independent Directors. The Board meets at least once in a quarter to consider amongst other matters, the quarterly unaudited financial results of the Company.

Sr. No.	Name	Category	No. of Directorship in other Companies		No. of Membership in other Board Committees
			Public	Private	
1.	Mr. Anil Kumar Jain	Non-Executive Chairman	3	2	1
2.	Mr. Sunil Jain Director	Non Executive	1	—	2
3.	Mr. Parmod Jain	Non Executive Director, Independent	—	—	—
4.	Mr. G.P. Agrawal	Non Executive Director, Independent	2	2	2
5.	Mr. K. Muralidharan	Non-Executive Director, Independent	—	3	—
6.	Mr. R.S.R. Murthy	Non Executive Director, Independent	—	1	—

During the year under review, 5 Board Meetings were held on 27th June 2003, 31st July 2003, 25th September 2003, 31st October 2003 and 31st January 2004. The last Annual General Meeting for the Financial year ending 31st March, 2003 was held on 30th September, 2003.

The attendance of the individual director in the aforesaid meetings was as follows :

Name of Director & Category	Meeting Date & Attendance				
	27.6.03	31.07.03	25.09.03	31.10.03	31.01.04
Mr. Anil Kumar Jain Chairman	x	✓	✓	x	x
Mr. Parmod Jain Director	✓	x	x	x	x
Mr. Sunil Jain Director	x	x	x	x	x
Mr. G.P. Agrawal Director	✓	✓	x	✓	✓
Mr. K. Muralidharan Director	✓	✓	✓	✓	✓
Mr. R.S.R Murthy Director	x	x	✓	✓	✓

3. Re-appointment of Directors

Shri Anil Kumar Jain is an eminent Industrialist. He is having experience of more than 30 years and has been in the Board of the Company since incorporation. He had the distinction of being the Chairman and Managing Director of Indocount Industries Ltd. He is also director in Garuda Cotex Shades Ltd., Kanco Enterprises Ltd., Rini Investment & Finance Pvt. Ltd. and Indocount Textile Venture Pvt. Ltd.

Shri G.P. Agrawal is a fellow member of Institute of Company Secretaries of India. He has about 25 years of rich experience to his credit with exposure of financial market, Accounts, Finance, Legal and Taxation and has been in the Board of the Company since incorporation. He is also in the Board of Allianz Securities Ltd, Indocount Securities Ltd, Rini Investment & Finance Pvt Ltd, and YarnTex Exports Pvt. Ltd.

4. Remuneration of Directors

Name	Category	Commission	Sitting Fees (Rs.)
Mr. Anil Kumar Jain	Director	—	500
Mr. G.P. Agrawal	Director	32,552	1000
Mr. K. Muralidharan	Director	—	1250
Mr. Parmod Jain	Director	—	250
Mr. R.S.R. Murthy	Director	—	750
Mr. Sunil Jain	Director	—	—

5. Audit Committee

The Audit Committee was formed by the Board of Directors on 28th January, 2003 in accordance with the requirements of clause 49 of the Listing Agreement and again reconstituted on 27th June, 2003, with qualified, independent and non executive members of the Board of Directors of the Company. The broad terms of reference of the Audit Committee are :

- To review the overall financial reporting process and disclosure of financial information.
- To review the annual accounting/financial statements, policies and practice.
- To appraise the adequacy of proper internal control and internal audit systems.
- To review the company's financials and risk management policies.
- To recommend the appointment and removal of external auditors.

The Audit Committee comprises of three Non Executive independent Directors. Shri R.S.R. Murthy, a Chartered Accountant with sufficient accounting & financial background, is Chairman of the Committee for all its meetings held during the year. The present composition of the Audit Committee is as under :

Sl. No.	Name	Designation
1.	Mr. R.S.R. Murthy	Chairman
2.	Mr. G.P. Agrawal	Director
3.	Mr. K. Muralidharan	Director

The quorum of the Committee is 1/3rd of the total strength or 2 whichever is higher. The terms of reference of the Audit Committee are in line with Stock Exchanges Listing Agreement and provisions of Section 292 A of the Companies Act, 1956.

During the Financial year 2003-2004, the Audit Committee meetings were held on 27th June 2003, 31st July 2003, 31st October 2003 and 31st January, 2004.

The minutes of the Committee are placed before the board. Secretary of the Company is the Secretary of the Committee and has attended all the previous Committee meetings.

6. Share Transfer and Share Holders Grievance Committee

At present the Share Transfer and Share Holders / Investor grievances committee comprises of Shri G.P. Agrawal, Shri K. Muralidharan and Shri R.S.R. Murthy. The Chairman is elected amongst members of the Committee.

During the year under review 13 Share Transfer and Share Holders / Investor grievance committee meetings were held.

The various issues addressed in connection with Shareholders and Investor services & grievance are :