

*14th
Annual
Report*

REPORTJUNCTION.COM
2004-2005



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 L.T. WAGH	Director

Manager Finance & Company Secretary Shri ANIL KAUSHAL

Auditors M/s. ANIL RAI ASSOCIATES, Chartered Accountants

Bankers KARNATAKA BANK LIMITED

Registered Office D-1, MIDC Industrial Area,
Gokul Shirgaon,
Kolhapur - 416 234
Maharashtra.

Head Office 301, "ARCADIA"
Nariman Point,
Mumbai - 400 021
Maharashtra.

Corporate Office 705, Pragati Tower,
26, Rajendra Place,
New Delhi - 110 008

CONTENTS	Page No.
Notice	2
Directors' Report	4
Management Discussion and Analysis Report	6
Corporate Governance Report	8
Auditors' Report	16
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22
Schedules	23
Notes to Accounts and Significant Accounting Policies	29
Balance Sheet Abstract and Company's General Business Profile	33



NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the shareholders of INDOCOUNT FINANCE LIMITED will be held on Wednesday, the 21st day of September, 2005 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, 2005, 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 Sunil Jain, who retires by rotation and being eligible, offers himself for reappointment.
3. 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."

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as Special resolution :

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ("the Board") or any Committee/person(s) authorized by the Board, consent be and is hereby accorded to delist the Company's Securities voluntarily from the Stock Exchange at Delhi.

By Order of the Board
For **INDOCOUNT FINANCE LIMITED**

Place : Mumbai
Dated : 29th June, 2005

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. The Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect of Special Business under Item No. 4 is annexed herewith.



-
3. Register of Members and the Share Transfer Books of the Company will remain closed from 15.09.2005 to 21.09.2005 (both days inclusive)
 4. 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, at least 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 w.e.f. 26.03.2001.
-

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM No. 4 :

Presently the securities of the Company are listed at Mumbai & Delhi Stock Exchanges. For the purpose of administrative convenience and to reduce costs, the Company intends to delist securities of the Company from non regional stock exchange i.e. Delhi Stock Exchange as per SEBI guidelines for voluntary delisting of securities.

As per Regulation 5 of SEBI (Delisting of Securities) Guidelines 2003, a company may de-list its securities from a stock exchange where they are listed, provided they have been listed for a minimum period of 3 years on any stock exchange. The Regulation further stipulates that the delisting can be without giving an exit opportunity to the investors if the securities continue to be listed on a stock exchange having nationwide trading terminals. An explanation to Regulation 5 of the said guidelines includes. The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE) as stock exchanges having nationwide trading terminals.

The securities of the Company have been, inter alia, listed on the BSE since 1994 and will continue to be listed on BSE, where frequent trading in the company's securities takes place providing adequate liquidity to the investors.

The Board, therefore, commends this resolution for the approval of the members.

None of the directors is, in any way, interested or concerned in this resolution.

By Order of the Board
For **INDOCOUNT FINANCE LIMITED**

Place : Mumbai
Dated : 29th June, 2005

ANIL KAUSHAL
Manager Finance & Company Secretary



DIRECTORS' REPORT

Your Directors present their 14th ANNUAL REPORT, along with the Audited Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS :

The Financial Results for the year ended on 31st March, 2005 are as under :

	2004-2005 (Rs. in lacs)	2003-2004 (Rs. in lacs)
Total Income	38.57	52.30
Gross Profit / (Loss) Before Depreciation	(20.36)	13.92
Less : Depreciation	2.67	4.38
Profit / (Loss) Before Tax	(23.03)	9.54
Less: Provision for Taxation	—	3.43
Add : Excess Provision for Income Tax Written back	0.04	—
Add : Deferred Tax Provision Written back	7.02	—
Net Profit / (Loss) After Tax	(15.97)	6.11
Less : Transfer to Special Reserve	—	1.22
Add : Profit brought forward from Previous Year	62.62	57.73
Balance carried to Balance Sheet	46.65	62.62

OPERATIONS :

During the Current Year the Company had suffered Net Loss of Rs. 15.97 lacs against the Net Profit of Rs. 6.11 lacs earned by it in the Previous Year. Company is exploring the possibilities for suitable diversification.

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 Parmod Jain Director of the Company, retire by rotation at this Annual General Meeting and is not seeking for his re-appointment. Shri R.S.R. Murthy also resigned from the Board on 17.03.2005. Board wishes to place gratitude for the valuable contribution made by both of them during their tenure.

During the year Mr. L. T. Wagh was appointed as Director of the Company to fill the casual vacancy caused by the resignation of Mr. R.S.R. Murthy and will hold the office for the balance term of Mr. R.S.R. Murthy.

**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.

DELISTING OF SECURITIES :

Presently the securities of the Company are listed at Mumbai and Delhi Stock Exchanges. The securities of the Company are not actively traded in Stock Exchange at Delhi. As per SEBI guidelines for voluntary de-listing, your company proposes to delist the securities of the Company from Delhi Stock Exchange and seeking the approval of shareholders. A resolution to this effect is placed at Item No. 4 of the Notice of this Annual General Meeting.

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 along with 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, 2005 and of the Loss 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, 2005 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.

ACKNOWLEDGEMENTS :

Your Directors place on record their appreciation of 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 : 29th June, 2005

G.P. AGRAWAL
 Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY AND BUSINESS OUTLOOK

Non Banking Finance Companies play major role in financing, inspite of presence of large number of Foreign as well as Nationalized Banks in this field, the role of NBFCs are unchallengeable. 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.

Due to strong economy of the country and boom in the Auto sector Finance & Leasing Industry is going through a phase of growth. The economic indicators for the future are also strong. Your Company hope to explore the opportunities thrown up by the economy.

RISKS & CONCERNS

Risk is synonym with NBFCs which is inherent part of their business. Your Company is also subjected to various types of such risks. Your company has identified these risks and guarded itself by adopting a range of strategies and measures to reduce the impact of such risks.

Credit risks considered to be major risk being faced by NBFCs. Your Company has evolved various policies and systems for credit risk to closely monitor the same. Your Company is having appropriate pre disbursal and post disbursement monitoring and regular follow up of the collection process. Your Company also follow provisioning norms of RBI.

OPPORTUNITIES AND THREATS

Business Opportunities for finance Companies are enormous as the new areas and segments are being explored due to increased competition and tight regulatory conditions being faced by them. 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 and low rates of financing being offered by them.

INTERNAL CONTROL AND THEIR ADEQUACY

Foundation of your Company's control mechanism vests in Management Information Systems (MIS). Your Company has devised effective systems so that assets and business of the company are safeguarded. The effective internal control system 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

Operating in the service industry, your Company's performance is heavily dependent on the knowledge and expertise of its personnel. Employees are most valued asset of your Company. 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.



The attitude of the Company is to work for the continuous improvement of the talent of each employee that in turn leads to the growth of an organisation's performance.

CAUTIONERY 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.





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 Independent Directors do not have any material pecuniary relationship or transactions with the Company, promoters, management which may affect their judgement in any manner. 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	Non Executive Director	1	—	1
3.	Mr. Parmod Jain	Non Executive Director, Independent	—	—	—
4.	Mr. G.P. Agrawal	Non Executive Director, Independent	2	2	3
5.	Mr. K. Muralidharan	Non Executive Director, Independent	—	3	2
6.	Mr. R.S.R. Murthy Resigned on 17.03.2005	Non-Executive Director, Independent	—	1	1
7.	Mr. L.T. Wagh Appointed on 29.06.2005	Non-Executive Director, Independent	—	1	1

During the year under review, 4 Board Meetings were held on 28th June, 2004, 29th July, 2004, 30th October, 2004, and 31st January 2005. The last Annual General Meeting for the Financial year ending 31st March, 2004 was held on 28th September, 2004.



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

Name of Director & Category	Meeting Date & Attendance			
	28.06.04	29.07.04	30.10.04	31.01.05
Mr. Anil Kumar Jain Chairman	✓	x	x	x
Mr. Parmod Jain Director	x	x	x	x
Mr. Sunil Jain Director	x	x	x	x
Mr. G.P. Agrawal Director	✓	✓	✓	✓
Mr. K. Muralidharan Director	✓	✓	✓	✓
Mr. R.S.R Murthy Director	✓	✓	✓	✓

As per Listing Agreement gap between the two Board Meetings should not be more than 3 months. However, Two Board Meetings of the Company were held late by 1-2 days.

3. Re-appointment of Directors

Shri Sunil Jain is an eminent Industrialist. He is having experience of more than 25 years and has been in the Board of the Company since 1995. He had the distinction of being the Chairman & Managing Director of I.C. Textiles Ltd. and also member of share transfer committee of I.C. Textiles Ltd.

Shri L. T. Wagh is a fellow member of Institute of Cost & Works Accountant of India. He was appointed by the Board on 29.06.2005 to fill the casual vacancy caused by the resignation of Mr. R.S.R. Murthy and will hold the office for the balance term of Mr. R.S.R. Murthy. He has about 30 years of rich experience to his credit with exposure of Accounts, Finance, Taxation and other related areas. He is also in the Board of Yartex Exports Pvt. Ltd.

4. Remuneration of Directors

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