

*15th* \_\_\_\_\_

Annual

Report

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2005-2006

I NDOCOUNT  
F I N A N C E  
L I M I T E D

**INDOCOUNT FINANCE LIMITED**



<b>Board of Directors</b>	Shri ANIL KUMAR JAIN	Chairman
	Shri SUNIL JAIN	Director
	Shri G.P. AGRAWAL	Director
	Shri SUSHIL KUMAR AGARWAL	Director
	Shri PRADEEP K. SHAH	Director

<b>Auditors</b>	M/s. AVK & ASSOCIATES, Chartered Accountants
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<b>Bankers</b>	KARNATAKA BANK LIMITED
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<b>Registered Office</b>	D-1, MIDC Industrial Area, Gokul Shirgaon, Kolhapur - 416 234 Maharashtra
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<b>Head Office</b>	301, "ARCADIA" Nariman Point, Mumbai - 400 021 Maharashtra
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<b>Corporate Office</b>	705, Pragati Tower, 26, Rajendra Place, New Delhi - 110 008
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## NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of INDOCOUNT FINANCE LIMITED will be held on Saturday, the 30th September, 2006 at 11.30 A.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 Accounts for the financial year ended 31st March, 2006 and the Reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr G. P. Agrawal, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint auditors and fix their remuneration.

### SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 260 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Sushil Kumar Agarwal be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retire by rotation."

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 260 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Pradeep K. Shah be and is hereby appointed as a Director of the Company, whose term of office shall be liable to retire by rotation."

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

Place : Mumbai  
Date : 31st July, 2006

**ANIL KUMAR JAIN**  
CHAIRMAN

### 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 REGISTERED 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 is annexed herewith.
3. Register of Members and the Share Transfer Books of the Company will remain closed from 29-09-2006 to 30-09-2006 (both days inclusive).



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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.
  - v) 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 Indocount Finance Limited at 705, Pragati Tower, 26, Rajendra Place, New Delhi-110008 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.
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### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**

#### **ITEM NO. 4**

Mr. Sushil Kumar Agarwal was appointed as an additional director of the Company on 26.12.2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article-80 of the Articles of Association of the Company, the term of office of Mr. Sushil Kumar Agarwal will be upto the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Sushil Kumar Agarwal as Director of the Company.

The Board commends the resolution for the approval of Shareholders.

Except Mr. Sushil Kumar Agarwal, none of the Directors is in any way concerned or interested in this resolution.

#### **ITEM NO. 5**

Mr. Pradeep K. Shah was appointed as an additional director of the Company on 26.12.2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article-80 of the Articles of Association of the Company, the term of office of Mr. Pradeep K. Shah will be upto the ensuing Annual General Meeting of the Company. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Pradeep K. Shah as Director of the Company.

The Board commends the resolution for the approval of Shareholders.

Except Mr. Pradeep K. Shah, none of the Directors is in any way concerned or interested in this resolution.



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## **ADDITIONAL INFORMATION**

**As required in terms of Para VI (A) of Clause 49 of the Listing Agreement**

**Brief Profile of Mr. Sushil Kumar Agarwal who was appointed as an Additional Director at the Board meeting held on 26.12.2005 :**

Mr. Sushil Kumar Agarwal, is a Chartered Accountant by profession and has rich experience of over 35 years in the areas of auditing, taxation, etc.

**Outside Directorship :**

No directorship in any other companies.

**Committee Membership/Chairmanship :**

Chairman of Audit Committee of Indocount Finance Ltd.

**Brief Profile of Mr. Pradeep K. Shah who was appointed as an Additional Director at the Board meeting held on 26.12.2005 :**

Mr. Pradeep K. Shah is B. Com., PGDBM and has rich experience over 36 years in the area of General Insurance.

**Outside Directorship :**

No directorship in any other companies.

**Brief Profile of Mr. G. P. Agrawal, who retires by rotation, and is eligible for re-appointment:**

Mr.G.P. Agrawal is a Law Graduate and a Fellow Member of the Institute of Company Secretaries of India. He is having around 26 years experience in the fields of corporate affairs, project financing, capital market, company law & legal matters in the Private Sector and has been associated with the company since incorporation.

**Outside Directorship :**

- (i) Allianz Securities Ltd.
- (ii) Rama Vision Ltd.
- (iii) Indocount Securites Ltd.
- (iv) Almondz Finanz Ltd.
- (v) Rini Investment & Finance Pvt. Ltd.
- (vi) ASL Insurance Brokers Pvt. .Ltd.
- (vii) Latitude 23 Communications Pvt. Ltd.

**Committee Membership/Chairmanship :**

Indocount Finance Ltd. — Member in Audit Committee

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

Place : Mumbai  
Date : 31st July, 2006

**ANIL KUMAR JAIN**  
CHAIRMAN



## DIRECTORS' REPORT

Your Directors present their 15th ANNUAL REPORT, alongwith the Audited Accounts for the year ended 31st March, 2006.

### FINANCIAL RESULTS :

The Financial Results for the year ended on 31st March, 2006 are as under :

	<b>2005-2006</b> (Rs. in Lacs)	2004-2005 (Rs. in Lacs)
Total Income	<b>30.59</b>	38.57
Gross Profit / (Loss) Before Depreciation	<b>7.94</b>	(20.35)
Less : Depreciation	<b>1.46</b>	2.68
<b>Profit / (Loss) Before Tax</b>	<b>6.48</b>	(23.03)
Less : Provision for Taxation	<b>0.80</b>	—
Add : Excess Provision for Income Tax written back	—	0.04
Add : Deferred Tax Provision written back	—	7.02
<b>Net Profit / Net (Loss) After Tax</b>	<b>5.68</b>	(15.97)
Less : Transfer to Special Reserve	<b>1.14</b>	—
Add : Profit brought forward from Previous Year	<b>46.65</b>	62.62
Balance carried to Balance Sheet	<b>51.19</b>	46.65

### OPERATIONS :

During the current year Company had earned a net profit of Rs. 5.69 lacs against the net loss of Rs.15.97 lacs in the previous year. Company is exploring the opportunities for suitable diversification.

### DIVIDEND :

Considering meager profit, your Directors do not recommend any dividend for the year.

### DEPOSITS :

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

### DIRECTORS :

Shri K. Muralidharan and Shri L.T. Wagh, Directors, resigned from the Board of Directors of the Company on 26.12.2005. Board wishes to place thanks and gratitude for the valuable contribution made by both of them during their tenure.

Shri Pradeep K. Shah and Shri Sushil Kumar Agarwal have been appointed as Additional Directors in the course of the year. The Company proposes to re-appoint them as Directors and accordingly, seek your approval as per resolutions at Item Nos. 4 and 5 of the Notice for this Annual General Meeting.

In accordance with the provisions of Companies Act, 1956, Mr G. P. Agrawal retires by rotation and being eligible, offers himself for re-appointment.

### AUDITORS :

Due to sudden death of Mr. Anil Jain, the proprietor of M/s Anil Rai & Associates, Chartered



Accountants, then Statutory Auditors, on 31-03-2006, in terms of provisions of Section 224 of the Companies Act, 1956, the Board of Directors has appointed M/s AVK & Associates, Chartered Accountants, as statutory auditors, in place of M/s Anil Rai & Associates. M/s AVK & Associates will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

#### **AUDITORS' REPORT :**

The Observations of the Auditors as referred in their report are suitably explained in the Notes to Accounts and therefore do not call for any further comments.

#### **PERSONNEL :**

Particulars of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

#### **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, 1998 is not required.

#### **CORPORATE GOVERNANCE :**

The corporate governance report together with a certificate from the Company's auditors confirming compliance of guidelines is made part of this Report as per Clause 49 of the Listing Agreement entered into with the Stock Exchange(s).

#### **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, 2006 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, 2006 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 ended on 31st March, 2006 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  
Date : 11th May, 2006

**ANIL KUMAR JAIN**  
CHAIRMAN



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## **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 is 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. A low level of NPA proportion in the assets of your Company reflects its sound risk management policies. 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 is 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 control is 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





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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 Shareholders' interest.

#### Status of Compliance

Your Company has been able to make significant compliance with the revised provisions of the Clause 49 of the Listing Agreement which became effective from 1st January, 2006.

### 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 5 (Five) and out of which 3 (Three) are Independent Directors. The Independent Directors do not have any material pecuniary relationship or transactions with the Company, promoters, management which may affect their judgements 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	Directorship in other Public Ltd. Companies	Committee	
				Chairmanship	Membership
1.	Mr. Anil Kumar Jain	Non-Executive Chairman	3	1	1
2.	Mr. Sunil Jain	Non-Executive Director	1	1	1
3.	Mr. G.P. Agrawal	Non-Executive Director, Independent	3	—	1
4.	Mr. Sushil Kumar Agarwal Appointed on 26.12.2005	Non-Executive Director, Independent	—	—	—
5.	Mr. Pradeep K. Shah Appointed on 26.12.2005	Non-Executive Director, Independent	—	—	—

During the year under review, 5 Board Meetings were held on 29th June, 2005, 30th July, 2005, 31st October, 2005, 26th December, 2005 and 12th January, 2006. The last Annual General Meeting for the Financial year ending 31st March, 2005 was held on 21st September, 2005.