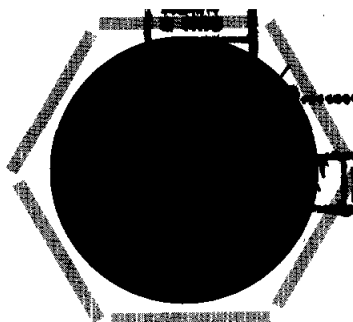


# INDUSTRIAL INVESTMENT TRUST LTD.

Annual Report  
2000-2001

Report  Junction.com



**IIT** GROUP

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Shareholders are requested to bring the copy of the Annual Report alongwith them to the General Meeting.



## INDUSTRIAL INVESTMENT TRUST LIMITED

**BOARD OF DIRECTORS** : SUSHIL K. PREMCHAND — *Chairman*  
C. K. THANAWALA — *Managing Director*  
HOMI F. MEHTA  
RASESH N. MAFATLAL  
V. C. VAIDYA  
P. N. JAMBUNATHAN  
ARUN GANDHI  
H. C. ASHER  
HIMADRI KATHARANI — *Vice President - Legal*

**BANKERS** : Federal Bank Ltd.  
United Western Bank Ltd.  
State Bank of Mysore  
Union Bank of India

**SOLICITORS & ADVOCATES** : Crawford Bayley & Co. Ltd.

**AUDITORS** : A. F. Ferguson & Co.

**REGISTERED OFFICE** : 14E, Rajabhadur Mansion, 2nd Floor,  
28, Bombay Samachar Marg,  
Mumbai 400 001.



## NOTICE

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held at M.C. Ghia Hall, 2nd floor, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, Mumbai – 400 001 on Wednesday, the 29th August, 2001 at 11.00 a.m. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2001 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and the Auditors.
2. To declare a dividend for the year ended 31st March, 2001.
3. To appoint a Director in place of Mr. Sushil K. Premchand who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Homi F. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Arun Gandhi who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### Special Business :

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 provisions of Section 198, 269, 309, 310, Schedule XIII and any other applicable provisions of the Companies Act, 1956, approval of the members of the Company be and is hereby accorded to the re-appointment of Mr. C.K. Thanawala, as Managing Director, for a period of one year with effect from 1st July, 2001 as per the terms and conditions as set out in the Draft Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which Agreement is hereby specifically approved.

"RESOLVED FURTHER THAT the Board of Directors through any of its Director be and is hereby authorized to sign and execute the said

Agreement on behalf of the Company and all documents and do all such acts as may be necessary, to give effect to this Resolution".

By Order of the Board of Directors,  
For INDUSTRIAL INVESTMENT TRUST LIMITED

HIMADRI KATHARANI  
*Vice President – Legal*

Mumbai, 20th June, 2001

### Registered Office :

14E, Rajabhadur Mansion, 2nd Floor,  
28, Bombay Samachar Marg,  
Mumbai – 400 001.

## 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. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The explanatory statement pursuant to Section 173 of the Companies Act, 1956 is enclosed and forms part of the Notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 21st August, 2001 to 29th August, 2001 (both days inclusive) for the purpose of payment of dividend to be declared.
4. The dividend, if declared, will be payable on or before 28th September, 2001 to those members whose name appear in the Register of Members of the Company on 29th August, 2001 or to their mandatees registered with the Company before 31st July, 2001.
4. The members are requested to intimate to the Company before 31st July, 2001 changes, if any, in their registered addresses.
5. Members are requested to bring the copy of their Annual Report and the Attendance Slip at the Annual General Meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to Mr. C.M. Kothari – Vice President Accounts or Mrs. Himadri Katharani – Vice President Legal so as to reach at least seven days before the date of the meeting, so that the information required may be made available at the meeting, to the best extent possible.

## Industrial Investment Trust Limited

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

## ITEM NO. 7

Mr. C.K. Thanawala was re-appointed as the Managing Director for a period of three years with effect from 1st July, 1998, with the consent of the members accorded by a resolution passed at the Annual General Meeting held on 12th August, 1998 on the terms and conditions set out in the agreement dated 13th August, 1998 between Mr. C.K. Thanawala and the Company.

As the term of his office expires on 30th June, 2001. The Board, pursuant to Article 149 and 150 of the Articles of Association of the Company, re-appointed Mr. C.K. Thanawala as the Managing Director for a period of one year, at a remuneration set out in the Draft Agreement between the Company and Mr. C.K. Thanawala vide resolution passed at its meeting held on 20th June, 2001.

The proposed terms of Mr. Thanawala's remuneration are as follows :

1. Salary : Rs. 18,00,000/- per annum or Rs. 1,50,000/- per month with a power to the Board to increase the same every year.
2. Commission : At a rate to be determined by the Board of Directors for each year, subject to an overall limit of 50% of his annual salary.
3. Perquisites : In addition to salary, perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement for self and family, leave travel concession for self and family, club fees, personal accident insurance etc. in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 5,50,000/- per annum. For the purpose of such limit :
  - a) Perquisites shall be valued as per Income-tax Rules, where applicable, and in the absence of any such Rules, shall be valued at actual cost; and
  - b) Use of Company car for official purposes and telephone at residence, including payment for local calls and long distance official calls, shall not be included.

Provided that

- i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income-Tax Act.

- ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- iii) Encashment of leave at the end of the tenure; shall not be included in the computation of limits for perquisites.

Provided further that the aggregate of the salary, gratuity, leave encashment and all other perquisites and contributions towards provident fund, superannuation fund or annuity fund, shall not exceed the limits specified in Sections 198 and 309 of the Companies Act, 1956.

The Board of Directors believe that his re-appointment as Managing Director is in the interest of the Company and therefore recommend the resolution for your approval.

The draft Agreement between the Company and Mr. C.K. Thanawala is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day upto the date of this Annual General Meeting.

The remuneration set out herein may be treated as an abstract of the draft Agreement between the Company and Mr. C.K. Thanawala, pursuant to Section 302 of the Companies Act, 1956.

Except, Mr. C.K. Thanawala, none of the Directors is concerned or interested in the aforesaid resolution.

By Order of the Board of Directors,  
For INDUSTRIAL INVESTMENT TRUST LIMITED

HIMADRI KATHARANI  
Vice President – Legal

Mumbai, 20th June, 2001

Registered Office :  
14E, Rajabhadur Mansion, 2nd Floor,  
28, Bombay Samachar Marg,  
Mumbai – 400 001.



## DIRECTORS' REPORT

Your Directors are pleased to present the Sixty-eighth Annual Report of the Company, together with the Audited Statement of Accounts for the year ended 31st March, 2001.

### 1. FINANCIAL RESULTS

	(Rupees in lakhs)	Previous Year (Rupees in lakhs)
(a) Total income	<b>832.82</b>	1763.68
Profit before depreciation	<b>336.93</b>	643.34
Less : Depreciation	<b>65.56</b>	73.18
Profit before Tax	<b>271.37</b>	570.16
Less : Provision for Tax	<b>10.00</b>	100.00
	<b>261.37</b>	470.16
Add/ (Less) : Excess / (short) Provision in respect of prior years	<b>2.61</b>	0.70
	<b>258.76</b>	470.86
Add : Balance of profit brought forward from the previous year	<b>311.97</b>	229.15
Amount available for appropriation	<b>570.73</b>	700.01
(b) From this, the Directors have transferred to :		
Special Reserve	<b>52.28</b>	94.04
General Reserve	<b>20.00</b>	50.00
(c) The Directors recommend payment of Dividend at the rate of Rs. 2.00 Per share (previous year Rs. 2.00 per share) on 1,00,00,000/- shares of Rs. 10/- each which will absorb	<b>200.00</b>	200.00
Tax on proposed Dividend	<b>20.40</b>	44.00
(d) Leaving a balance to be carried forward	<b>278.05</b>	311.97

### OPERATING RESULTS

The total income for the year under review is lower at Rs. 832.82 lakhs as compared to Rs. 1763.68 lakhs – a drop of Rs. 52.78%. The income from dividend and interest on investments at Rs. 122.18 was only marginally lower than Rs. 131.03 in the previous year. However, the capital gains realized at Rs. 362.64 lakhs during the current year is much lower compared to Rs. 1112.45 in the previous year. Last year company sold their holdings in Hindustan Diamond Company Limited (unquoted) realizing a gain of Rs. 743.04 lakhs. Further, volatility in the market and melt down during March, 2001 left limited opportunity for capital gains.

Expenditure during the year at Rs. 561.45 lakhs is lower than Rs. 1193.52 lakhs last year. This is largely because of VRS write off (Rs. 83.23 lakhs) and provision for diminution in the value of Investment (Rs. 306.87 lakhs) provided last year. There is also saving of Rs. 164.25 lakhs in interest cost during the year.

### 2. INVESTMENTS

The Company's portfolio of investment is regularly reviewed and securities are bought or sold in order to make capital gains. Details of the Company's investment, including a portfolio summary and analysis of securities held are given in Schedule E to the Balance Sheet as on 31st March, 2001.

The market value of the Company's quoted investments as on 31st March, 2001 was Rs. 6205.98 lakhs (previous year Rs. 7497.48 lakhs). This is 519% higher than the related book value. During the year the Company purchased shares / debentures etc. of various companies with a book value of Rs. 177.65 lakhs and sold shares / debentures etc. of various companies with a book value of Rs. 63.44 lakhs.

### 3. SUBSIDIARY COMPANIES

#### i) IIT Corporate Services Limited

##### (a) Custodial Services

The revenue from custodial activity have decreased from Rs.487 lakhs to Rs.283 lakhs, a decline of 42%, mainly on account of transfer of clients to Deutsche Bank.

The demat scenario in the Indian capital market has increased the risk and has substantially reduced the revenue generation in the custodial activities.

The Securities and Exchange Board of India's regulations require Rs.50 crores networth which is neither feasible nor financially viable in the high risk environment and low returns in this activity. The Company, therefore, decided to exit from this activity. The company entered into an agreement with the Deutsche Bank for transfer of the custodial clients. It has transferred majority of its clients to the Bank and is in the process of transferring the remaining clients.

## Industrial Investment Trust Limited

**(b) Registrar and Transfer Agency Services**

The revenue from R & T activities has increased marginally from Rs.129 lakhs to Rs.132 lakhs.

Switchover from physical environment to electronic holding, the Company has geared up itself to increase its client base by providing connectivity to the clients. The Company has increased its client base for connectivity from 67 companies to 127 companies. The Company has 38 more clients where securities are still in physical mode. The Company expects 20% increase in revenue in these activities.

**(c) Depository**

The Company is providing retail depository services to 25000 investors. The Company is constantly upgrading value added services - + IVRS (Inter Active Voice Response System) Spot Scanning signature, Real Time Internet Access etc., to the clients.

**(d) Conclusion**

The revenue of the Company has decreased from Rs.911 lakhs in 1999-2000 to Rs.566 lakhs during the year under review, a decline of 38% due to transfer of custodial clients and decrease in outsourcing Income.

With the transfer of custodial activity to Deutsche Bank, the Company is reducing the headcounts, controlling the costs and exploring new avenues to increase the presence in R & T and Retail Depository Business.

**ii) IIT Investrust Limited**

During the year under review the revenue from brokerage has decreased from Rs.429 lakhs to Rs.260 lakhs, a reduction of 40% in the revenue mainly due to erosion in value of stocks and reductions in the rates of brokerage. Number of shares bought and sold on behalf of clients were 507 lakhs as compared to 537 lakhs, in the previous year, a decline of only 6%. This reflects considerable erosion in the market capitalisation. The market capitalisation in certain Tech stocks have gone down by 90%.

The Company has considerably reduced the establishment expenditure from Rs.371 lakhs in the previous year to Rs.203 lakhs, decrease of 45%.

The Company has added 9 more institutional/corporate clients. Most of our institutional clients are currently not active in the market.

The year 2000-2001 was marred with scams, slowdown in US and worldwide recession. Ban

on deferred products and introduction of Derivatives in Indian Capital Market will bring new life to the market after 2nd July, 2001. This positive development in the market is expected to boost the revenues of the Company

**4. ASSOCIATE COMPANY****IIT Capital Services Limited**

As reported last year, the company has stopped making further disbursements. The Company has continued to exert all its efforts in recovering the outstanding dues. However, the recovery process is very slow.

The Company has curtailed the expenses considerably, has reduced the employee strength to minimum numbers required to carry on the recovery process.

**5. FIXED DEPOSITS**

The Company has repaid the entire amount of public deposits. Deposits amounting to Rs. 1,44,000/- remains unclaimed as on 31st March, 2001.

**6. EMPLOYEE RELATIONS**

Relations with employees continue to be cordial. The Directors take this opportunity to thank the employees at all levels for their continued dedication and the hard work put in by them.

**7. DIRECTORS**

Mr. S.K. Premchand, Homi F. Mehta and Mr. Arun Gandhi retire by rotation and being eligible, offer themselves for re-appointment.

**8. MANAGING DIRECTOR**

Term of Mr. C.K. Thanawala, Managing Director expires on June 30, 2001. Your directors vide resolution passed at their meeting held on June 20, 2001 has re-appointed him as Managing Director for a period of one year on terms and conditions set out in the agreement to be entered between the Company and Mr. C.K. Thanawala to be approved by you. You are requested to approve the same.

**9. AUDITORS' REPORT**

The observations made by the Auditors in their report are appropriately dealt with in the notes forming part of the accounts for the year which are self-explanatory and hence do not require any further explanations.

The observations made by the Auditors in item no. 7 of their report under Manufacturing And Other Companies Auditors' Report Order, 1989 :

The Reserve Bank of India has prescribed prudential norms under NBFC Prudential Norms (RBI) Directions, 1998 for concentration of credit / investments under para 12 of the said Directions. These Directions came into effect on 2nd January, 1998. Your Company has invested certain amounts in its subsidiary companies, i.e., IIT Corporate Services Limited and IIT Investrust Limited and its associate company, IIT Capital Services Limited. Your Company has also advanced certain



amount of funds to these companies and a large part of these investments / lending were made before the Prudential Norms Directions of RBI came into effect. It is therefore not possible for the Company, for the time being, to comply with the prudential norms regarding concentration of investments. The RBI has required vide para 6 of the NBFC Acceptance of Public Deposits (Reserve Bank) Directions, 1998 that the companies not complying with any of the prudential norms shall not accept / renew Public Deposits. Your Company has repaid the entire amount of outstanding public deposits.

#### 10. AUDITORS

You are requested to re-appoint Messrs A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company from the conclusion of the 68th Annual General Meeting until the conclusion of the 69th Annual General Meeting of the Company.

#### 11. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, your Directors confirm that :

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the affairs of the company for year ended March, 2001;
- (c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) the annual accounts have been prepared on a going concern basis.

#### 12. AUDIT COMMITTEE

For better corporate Governance, the setting up of an audit committee of the Board has been made mandatory by introduction of a new section 292 A in the Companies Act, 1956.

In compliance with the provision, the Directors have constituted an Audit Committee comprising of the following Directors :

Mr. Sushil K. Premchand

Mr. Arun Gandhi

Mr. Homi F. Mehta

#### 13. PARTICULARS OF EMPLOYEES

Information required under provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the year under review, is annexed hereto.

#### 14. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Your Company is not engaged in any manufacturing activities, and therefore, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to conservation of energy or technology absorption. During the year under review, the Company earned foreign exchange amounting to Rs. 32.38 lakhs for services rendered to overseas clients, it has made no payments in any foreign exchange.

On behalf of the Board of Directors,

SUSHIL K. PREMCHAND  
Chairman

Mumbai

Dated : 20th June, 2001



## Industrial Investment Trust Limited

**ANNEXURE TO THE DIRECTORS' REPORT****A. PARTICULARS OF EMPLOYEES FORMING PART OF DIRECTORS' REPORT**

Sr. No.	Name (Age)	Designation/ Nature of Duties	Date of commencement of Employment	Remuneration Received (Rs.)	Qualification & Experience (years)	Last Employment held
1.	Thanawala C.K. (68)	Managing Director	15.05.1974	24,06,000	B.A. (Hons.) B.Com., A.M.B.I.M. (Lond.) A.C.W.A. (Lond.) (45)	Management consultant

**NOTES :**

1. Remuneration includes salary, commission, contribution to provident fund, superannuation fund, house rent expenses incurred by the Company on accommodation, leave travel assistance, medical benefit and other allowances.
2. Nature of employment is contractual.

**B. PARTICULARS OF UNCLAIMED DEPOSITS FORMING PART OF DIRECTORS' REPORT**

Total No. of Depositors	Amount due but not claimed Rs.
23	1,44,000





## AUDITORS' REPORT

### REPORT OF THE AUDITORS TO THE MEMBERS OF INDUSTRIAL INVESTMENT TRUST LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2001

We have audited the attached balance sheet of Industrial Investment Trust Limited as at 31st March, 2001 and also the profit and loss account of the Company for the year ended on that date, annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the annexure our comments on the matters specified in paragraphs 4 and 5 of the said Order to the extent to which they are applicable to the company.
2. Further to our comments in the annexure referred to in paragraph 1 above:
  - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books.
  - (iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.
  - (iv) *We are unable to form an opinion on the loss that may arise due to non provision of the diminution in the value of a long term investment of Rs.11.69 crores in a subsidiary and of Rs.2.39 crores, net of provision, in a company in respect of which a deposit including interest accrued thereon aggregating Rs. 6.49 crores is outstanding at the year end (refer Note 2).*
  - (v) On the basis of the written representation received from the directors, and taken on record

by the board of directors, we report that none of the directors is disqualified as on 31st March, 2001 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- (vi) Subject to the matter referred to in paragraph 2 (iv) above and its consequential effect on the profit and reserves:
    - (a) in our opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
    - (b) in our opinion and to the best of our information and according to the explanations given to us, except for Managerial Remuneration paid in excess of Rs. 1,20,000 pending Central Government approval (see Note 5) the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
      - (1) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2001;
- and
- (2) in the case of the profit and loss account, of the profit of the company for the year ended on that date.

For A. F. FERGUSON & CO.,  
Chartered Accountants

Mumbai, 20th June, 2001.

Y. M. KALE  
Partner