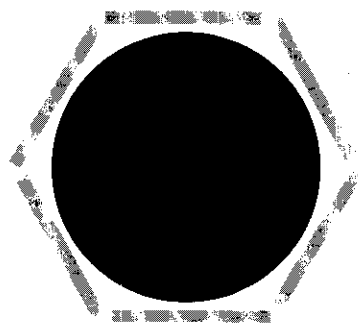


INDUSTRIAL INVESTMENT TRUST LTD.

Annual Report
1998-99



IIT GROUP

INDUSTRIAL INVESTMENT TRUST LIMITED



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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
F. K. KAVARANA
H. C. ASHER

HIMADRI KATHARANI — *Company Secretary*

BANKERS : Federal Bank Ltd.
State Bank of Mysore
Union Bank of India

SOLICITORS & ADVOCATES : Crawford Bayley & Co.

AUDITORS : A. F. Ferguson & Co.

REGISTERED OFFICE : 61, 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 11th August, 1999 at 11.00 a.m. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1999 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, 1999.
3. To appoint a Director in place of Mr. Arun Gandhi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. N. Jambunathan who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

By Order of the Board,
For INDUSTRIAL INVESTMENT TRUST LIMITED

MUMBAI, 30th June, 1999. HIMADRI KATHARANI
Company Secretary

Registered Office :
61, 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 Register of Members and Share Transfer Books of the Company will remain closed from 2nd August, 1999 to 11th August, 1999 (both days inclusive) for the purpose of payment of dividend to be declared.
3. The dividend, if declared, will be payable on or before 21st September, 1999, to those members whose names appear in the Register of Members of the Company on 11th August, 1999 or to their mandatees registered with the Company before 2nd August, 1999.
4. The members are requested to intimate to the Company before 2nd August, 1999 changes, if any, in their registered addresses.
5. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, all unclaimed/unpaid dividend upto the financial year ended 31st March, 1995 amounting to Rs.2,56,327/- has been transferred to General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrant(s) for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra.
6. Members are requested to bring the copy of their Annual Report and the Attendance Slip at the Annual General Meeting.
7. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their questions to the Secretary of the Company 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

DIRECTORS' REPORT

Your Directors are pleased to present the Sixty-sixth Annual Report of the Company, together with the Audited Statements of Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS

	Rupees in lakhs	Previous Year Rupees in lakhs
(a) Total Income	1197.58	1325.54
Profit before depreciation	545.88	509.62
Less : Depreciation	89.33	91.40
Profit before Tax	456.55	418.22
Less : Provision for tax	27.50	16.50
	429.05	401.72
Less : Short provision in respect of prior years	—	1.50
	429.05	400.22
Add : Balance of profit brought forward from the previous year	157.91	123.04
Amount available for appropriation	586.96	523.26
(b) From this, the Directors have transferred to :		
Debenture Redemption Reserve	—	10.00
Special Reserve	85.81	80.35
General Reserve	50.00	55.00
(c) The Directors recommend payment of dividend at the rate of Rs.2 per share (previous year Rs. 2 per share) on 1,00,00,000/- shares of Rs.10/- each which will absorb	200.00	200.00
Tax on proposed Dividend	22.00	20.00
(d) Leaving a balance to be carried forward	229.15	157.91

2. OPERATING RESULTS

The total income for the year under review is Rs.1197.58 lakhs as compared to Rs.1325.54 lakhs for the previous year which should be considered satisfactory in view of the state of financial markets. The income from dividend

and interest on trade investments at Rs. 129.38 was lower than Rs.240.23 lakhs in the previous year. The Company realised capital gains of Rs. 525.71 lakhs during the year compared to Rs.713.10 lakhs in the previous year.

3. MERCHANT BANKING LICENCE

To strengthen the Merchant Banking activities of the subsidiary, IIT Investrust Limited, your Directors transferred the Category I Merchant Banking licence held by your Company to IIT Investrust Limited, after required approval from SEBI.

4. 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, 1999.

The market value of the Company's quoted investments as on 31st March, 1999 was Rs.7582.72 lakhs (previous year Rs.6951.82 lakhs). This is 550% higher than the related book value. During the year the Company purchased shares/debentures etc. of various companies with a book value of Rs.29.16 lakhs and sold shares/debentures etc. of various companies with a book value of Rs.247.58 lakhs.

5. SUBSIDIARY COMPANIES

i) IIT Corporate Services Limited

a) Custodial Services :

The Company continues to enjoy strong market presence in this field of its activity. However, the depository environment has considerably affected the revenues of the Company. The volumes in the depository segments are increasing substantially and within a year's time the Company will be able to generate substantial revenues.

b) Registrar & Transfer (R&T) Agency Services :

Due to the depressed primary market conditions for the last three years, the Company is not in a position to further increase its folios in the R & T business and at the same time there are no IPOs coming in the market.

c) Depository :

The Company has become Depository Participant with Central Depository Services Limited (CDSL) and has also become Business Partner in CDSL. In addition to the institutional business, the Company has started retail segment in the depository and the results will be shown within a year's time.

ii) IIT InvesTrust Limited

During the year under review, the Company made a turnaround and registered a net profit of Rs.15.54 lakhs after two consecutive years of loss.

The income of the Company during the year



reduced by Rs. 46.29 lakhs which was as a result of consistent strategies to reduce its exposure from high risk revenue opportunities. More importantly, the Company continued its drive for controlling its expenses and registered a further reduction in the cost base by 31.51%. This is over and above a reduction of 58.6% in the total expenses achieved in the previous year.

The efforts are ongoing to further consolidate the business positioning of the Company.

The Category I Merchant Banking licence which was earlier with Industrial Investment Trust Limited, has been transferred to IIT Investtrust Limited with effect from 1st March, 1999. This licence is valid upto 28th February, 2002 subject to terms and conditions laid down by SEBI.

6. ASSOCIATE COMPANY

IIT Capital Services Limited

During the year under review, the Company has faced problems of recovery, common to the Non-Banking Financial Companies (NBFCs), in respect of interest as well as principal amounts lent to various clients. This situation has put pressure on its revenues and cash flow, as also on its balance sheet.

The company continues to assist this company in its short term mismatch of cashflow.

7. FIXED DEPOSITS

Fixed deposits totalled Rs.95.61 lakhs as on 31st March, 1999. This includes deposits amounting to Rs. 2.24 lakhs which had matured, but had not been claimed as on date. The Company has presently stopped accepting and renewing fixed deposits. Information required under clause 5 of the Non-Banking Financial Companies (Reserve Bank) Directions, 1998 is given in the annexure to the Directors' Report.

8. EMPLOYEE RELATIONS

Relations with employees continue to be cordial. A Voluntary Retirement Scheme was offered to the employees during the year, which was accepted by substantial number of employees of the Company. The Directors take this opportunity to thank the employees at all levels for their continued dedication and the hard work put in by them.

9. DIRECTORS

Mr. Arun Gandhi and Mr. P. N.Jambunathan retire by rotation and being eligible, offer themselves for reappointment.

10. 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, 1988.

The Reserve Bank of India has prescribed prudential norms under NBFC Prudential Norms (RBI) Directions,

1998 for concentration of credit/investments under para 12 and capital adequacy under para 10. 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 InvestTrust Limited and its associate company, IIT Capital Services Limited. Your Company has also advanced certain amount of funds to these companies and have given guarantees to the Banks who have granted credit facilities to these subsidiaries/associate companies. 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 and capital adequacy. 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 therefore stopped accepting/renewing the public deposits with effect from 9th January, 1998.

11. AUDITORS

You are requested to re-appoint Messrs A. F. Ferguson & Co., Chartered Accountants, as Auditors of the Company from the conclusion of the 66th Annual General Meeting until the conclusion of the 67th Annual General Meeting of the Company.

12. 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.

13. YEAR 2000 (Y2K) COMPLIANCE

Your Company has already achieved Y2K compliance and is fully compliant for all its internal operations.

Your Company is not dependent on any intermediary for its operations/functions.

The costs incurred for achieving Y2K compliance are not likely to have any significant impact on the Company's financial position.

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.29.43 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. PVEMCHAND
Chairman

Mumbai
Dated : 30th June, 1999

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. (66)	Managing Director	15.05.1974	22,68,231/-	B.A.(Hons.), B.Com., A.M.B.I.M.(Lond.) A.C.W.A.(Lond.) (43)	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.
32	2,24,000





AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF INDUSTRIAL INVESTMENT TRUST LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999.

We have audited the attached balance sheet of Industrial Investment Trust Limited as at 31st March, 1999 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) Provision has not been made for the diminution in the value of investments referred to in note 2 to the accounts. This is not in accordance with the requirements of Accounting Standards - 13.

(v) 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, 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, 1999;
 - 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, 30th June, 1999

R. K. HIRANANDANI
Partner

Industrial Investment Trust Limited

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF THE AUDITORS TO THE MEMBERS OF INDUSTRIAL INVESTMENT TRUST LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed assets other than those given on lease have been physically verified by the management during the year and no material discrepancies were noticed on such verification. As explained to us, assets given on lease are being physically verified by the management once in two years, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. The fixed assets given on lease have not been physically verified by the management during the year as this was done in the previous year.
2. None of the fixed assets has been revalued during the year.
3. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from, or granted any loans to, companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The company has certified that there are no companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956.
4. In respect of loans or advances in the nature of loans given by the Company, where stipulations have been made, the parties are repaying the principal amounts as stipulated and are also regular in the payment of interest, where applicable.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of plant and machinery, equipment and other assets.
6. According to the information and explanations given to us, there are no transactions for sale of services entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party.
7. With regard to fixed deposits accepted from the public, the Company has not complied with: (1) the prudential norms on (a) Accounting Standards insofar as it relates to the matter referred to in paragraph 2(iv) of our report & (b) concentration of credit/investment; and (2) capital adequacy ratio, as specified in the relevant notifications issued under the Non-Banking Financial Companies (Reserve Bank) Directions, 1998 and Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Further, there have also been marginal delays in submitting securities for custody with a designated banker and filing one of the half-yearly returns with the Reserve Bank of India, in terms of the relevant notifications under the aforesaid directions. Subject to the foregoing, in our opinion, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
8. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
9. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
10. As explained to us, there are no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax and customs duty, which were outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.
11. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
With regard to service activities of the company:
12. The recording of receipts, issues and consumption of materials and stores, and the allocation of materials consumed and man-hours utilised to the relative jobs is not applicable to the Company in view of the nature of its business.
13. The issue of stores and allocation of stores and labour to jobs and its authorisation at proper levels is not applicable to the Company in view of the nature of its business. In our opinion, there is a system of internal control commensurate with the size of the company and the nature of its business.
With regard to the financial and investment activities of the Company:
14. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
15. To the best of our knowledge and as confirmed to us by the management, no special statutes are applicable to the company.
16. In our opinion and according to the information and explanations given to us, the company has kept proper records of the transactions and contracts for dealings or trading in shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the company in its own name, except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.

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

R. K. HIRANANDANI
Partner

Mumbai, 30th June, 1999