

*11th*  
*Annual*  
*Report*  
*2003-2004*

**PRIVY FINANCIAL**  

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**SERVICES LIMITED**

For Privy Financial Services Ltd.



Authorised Signatory / Director

# PRIVY FINANCIAL SERVICES LIMITED

## BOARD OF DIRECTORS

**P.C. BINDAL**

Chairman

**PUNEET KAUSHIK**

Director

**K. C. GUPTA**

Director

**SANJAY KUMAR AGARWAL**

Director

## AUDITORS

**G.C. SHARDA & CO.**

New Delhi

## COMPANY SECRETARY

**RACHNA GUPTA**

## REGISTERED OFFICE

101, Sita Ram Mansion  
718/21, Joshi Road,  
Karol Bagh,  
New Delhi

## MAIN BANKERS

**THE BANK OF RAJASTHAN LTD.**

## REGISTRAR & SHARE TRANSFER AGENT

**Beetal Financial & Computer Services (P) Ltd.**

321-S, IIIrd Floor,  
Nr. Shahid Bhagat Singh College,  
Chirag Delhi, New Delhi-110017

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**NOTICE**

Notice is hereby given that the 11<sup>th</sup> Annual General Meeting of the members of Privy Financial Services Limited, will be held on Wednesday, the 29<sup>th</sup> day of September, 2004 at 3.30 p.m. at 718, Joshi Road, Karol Bagh, New Delhi-110005, to transact the following business :-

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit & Loss Account for the year ended on that date together with Reports of the Directors and the Auditors thereon.
2. To appoint director in place of Sh. K.C.Gupta, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint M/s. G.C. Sharda & Co., Chartered Accountants, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next annual general meeting and to fix their remuneration.

By Order of the Board of Directors

(RACHNA GUPTA)  
Company Secretary

Place : New Delhi  
Dated : 30<sup>th</sup> June 2004

**NOTE:**

1. A MEMBER ENTITLED TO ATTEND & VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy form duly executed and properly stamped, in order to be effective, should reach the company at its Registered Office at least 48 hours before the scheduled time of the meeting.
3. The Register of Members and the Share Transfer books of the Company will remain closed from 24<sup>th</sup> September, 2004 to 29<sup>th</sup> September, 2004 (both days inclusive).
4. Only Registered Members carrying attendance slips and holders of valid proxies registered with the Company will be permitted to attend the meeting.
5. The Members are requested to :
  - (a) Intimate to the Company changes, if any in their registered address.
  - (b) Quote ledger Folio no. or DP ID & Client ID in all their correspondence.
  - (c) Bring their copy of the Annual Report and the attendance slips with them at the Annual General Meeting.
6. Members are requested to intimate their queries, if any, relating to the accounts or any other matters at least seven days in advance of the meeting so that the information can be made readily available and furnished at the meeting.
7. Re-appointment of Directors  
Sh. K.C. Gupta, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The information or details pertaining to Sh.K.C. Gupta to be provided in terms of clause 49 of the listing agreement with the stock exchanges are furnished in the Corporate Governance Report published in this Annual Report.

**For Privy Financial Services Ltd.**

  
**Authorised Signatory / Director**

# PRIVY FINANCIAL SERVICES LIMITED

## DIRECTORS' REPORT

To,  
The Members

**Privy Financial Services Limited**

Your Directors have pleasure in presenting the 11th Annual Report with Audited Statement of Accounts of the company for the year ended 31<sup>st</sup> March, 2004.

### FINANCIAL RESULTS:

Financial results of the company for the year under review are summarized as below :

Particulars	(Rs. In Lacs)	
	Year Ended 31.3.2004	Year Ended 31.3.2003
Total Income	17.58	40.45
Profit Before Depreciation & Tax	3.68	6.72
Depreciation	2.21	2.87
Profit/ (Loss) Before Tax	1.47	3.85
Provision for Tax - Current	0.11	0.30
- Deferred	(0.32)	(0.67)
Profit/(Loss) after Tax	1.68	4.21
Surplus Carried to Balance Sheet	20.14	18.46

### PERFORMANCE REVIEW :

During the year under review, your company achieved total income of Rs.17.58 Lacs as compared to Rs.40.45 Lacs in the previous year. Net profit for the year was Rs.1.68 Lacs as compared to net profit of Rs.4.21 Lacs in the previous year. Your directors expect that the initiatives undertaken will result in improvement of financial results in the coming years.

### MANAGEMENT DISCUSSION AND ANALYSIS :

#### Industry Structure and Development

Non – Banking Finance Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering a large market of customers. However, at present competition in the sector has become intense as the Indian and foreign banks have entered the retail lending business in a big way thereby exerting pressure on margins. As a result of tough competition in the market, only those NBFCs which have large resources at their disposal coupled with professional expertise, will survive in future.

On the regulatory front, NBFCs are regulated by the Reserve Bank of India (RBI) almost at par with banks.

#### Outlook, Risk and Concern

NBFCs can sustain in this competitive environment only through identification of potential business areas, widening geographical reach, cost efficiencies, strict credit monitoring and raising the level of customer service. In addition to that rigorous credit evaluation and efficient collection and recovery system are also the major areas of concern.

The Company is exposed to normal industry risk factors, economic, political and social risk. The Company shall however meet these challenges and concerns by adopting more prudent and comprehensive business policies.

#### Opportunities and Threats

As observed during last few years, the traditionally debt-averse Indian consumer has been gradually becoming more and more credit happy and has aspirations to enhance the quality of his life. Considering this, there are tremendous potential in retail financing in the years to come. Positive attitude of the Indian consumers will result in the growth of the business of the Company in future.

However, tough competition, strict regulations by regulatory authorities, non recovery of dues due to lack of favourable recovery mechanism and uncertain market conditions continues to be threats for the business of the Company.

#### Adequacy of Internal Control System

Company has adequate internal control systems to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance of laws and regulations. The company regularly monitors that all regulatory guidelines are complied with at all levels.

The Audit Committee constituted by the Board reviews the adequacy of Internal Control System.

### Financial Performance

#### Operational Results, 2003-04 Versus 2002-03 :

Particulars	(Rs. in Lacs)	
	2003-04	2002-03
Total Income	17.58	40.46
Interest & Financial Charges	0.23	0.22
Expenses	13.67	33.52
Depreciation	2.21	2.87
Total Expenditure	16.11	36.61
Profit before Tax(PBT)	1.47	3.85
Provision for Tax	(0.21)	(0.37)
Profit after tax (PAT)	1.68	4.22
Equity Capital	330.00	330.00
Reserves & Surplus	20.77	19.09
Earning per Share	0.05	0.13

**SEGMENT WISE PERFORMANCE**

Company operates only in one segment.

**DIVIDEND :**

Your Directors regret their inability to recommend any dividend in view of low profits during the year under review.

**FIXED DEPOSITS :**

Your Company has not accepted any deposits from public. There are no unclaimed or unpaid deposits as on 31<sup>st</sup> March, 2004.

**DIRECTORS :**

Sh. K.C.Gupta, Director of the company, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

**MATERIAL CHANGES :**

There are no material changes and commitments, affecting the financial position of the company between the end of the financial year of your company and the date of Directors' Report.

**AUDITORS :**

M/s. G.C. Sharda & Co., Chartered Accountants, the Auditors of the company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee and your Board recommend their reappointment as Auditors of the Company. The company has received letter from them to the effect that their appointment, if made would be within prescribed limit under Section 224(1B) of the Companies Act, 1956.

**AUDITORS' REPORT :**

The observations in the Auditor's Report are dealt in the notes forming part of accounts at appropriate places and the same being self explanatory, no further comment is considered necessary.

**DEMATERIALISATION OF SHARE :**

As the members are aware, your company's shares are tradeable compulsarily in electronic form. Accordingly, your company has established connectivity with both the depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). Members may avail the facility of dematerialisation of company's shares on either of the Depositories as aforesaid.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) That in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 and of the profit of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care 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.
- iv) That the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2004 on 'going concern' basis.

**PARTICULARS OF EMPLOYEES :**

There is no employee whose particulars are required to be furnished in terms of Sec. 217(2A) of the Companies Act, 1956 and rules made thereunder.

**PERSONNEL :**

The Board wishes to place on record their deep appreciation of all employees of the company for their endeavor and co-operation. The relations with employees continued to be cordial throughout the year.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :**

Your company has no activity relating to conservation of energy and technology absorption. The Company did not have any foreign exchange income/ outflow.

**VOLUNTARY DELISTING OF EQUITY SHARES FROM DELHI & AHMEDABAD STOCK EXCHANGES:**

In terms of Securities & Exchange Board of India (Delisting of Securities) Guidelines 2003 and the special resolution passed by the shareholders at 10<sup>th</sup> Annual General Meeting held on 24<sup>th</sup> September 2003, the Company is in the process of delisting its Equity Shares from The Delhi Stock Exchange and The Stock Exchange, Ahmedabad. However, after the proposed delisting of Equity Shares from the aforesaid Stock Exchanges, Equity Shares of the Company will continue to be listed on The Stock Exchange Mumbai, which have nationwide trading terminals.

**CORPORATE GOVERNANCE :**

A report on Corporate Governance appears in this Annual Report. A certificate from M/s. G.C. Sharda & Co., Chartered Accountants, Statutory Auditors with regard to Compliance of the Corporate Governance code by your company is annexed hereto as Annexure and forms part of this report.

**ACKNOWLEDGEMENT :**

Your Directors express heartily gratitude to all valued customers, bankers, business associates, shareholders and employees for their continued support.

**For Privy Financial Services Ltd. For and On Behalf of the Board**



**(P.C. BINDAL)**  
Chairman

**Authorised Signatory / Director**

Place : New Delhi  
Dated : 30<sup>th</sup> June 2004

## PRIVY FINANCIAL SERVICES LIMITED

## CORPORATE GOVERNANCE REPORT

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The philosophy can be described as the business practices with the ultimate aim of enhancing long term shareholders' value and remaining committed to high standards of business ethics. Your company and its employees have a commitment to its customers, competitors, local communities, shareholders and the nation to conduct the business in an ethical and legal manner.

## 2. BOARD OF DIRECTORS

During the year, the Board consisted of four directors, all non executive director out of whom two are independent. Shri P.C.Bindal, Chairman of the Company is a Non Executive Director.

Sl. No.	Name of the Director	Status	Date of appointment	Date of Cessation	No. of Board Meetings held	No. of Board Meetings attended	Last AGM attended	No. of other directorship and committee membership and chairmanship.		
								Other Directorship	Committee Membership	Committee Chairmanship
1.	P.C. Bindal	Non Executive	28.11.94	N.A.	4	4	Yes	3	1	-
2.	K.C. Gupta	Non Executive	11.5.93	N.A.	4	4	Yes	3	1	1
3.	Puneet Kaushik	Independent	23.2.98	N.A.	4	4	Yes	4	1	1
4.	Sanjay Kumar Agarwal	Non Executive Independent	25.3.03	N.A.	4	4	Yes	2	1	-

## DATE &amp; NUMBER OF BOARD MEETINGS HELD

Four Board meetings were held during the year on 30<sup>th</sup> June 2003, 31<sup>st</sup> July 2003, 31<sup>st</sup> October 2003 and 31<sup>st</sup> January 2004.

## 3. AUDIT COMMITTEE

The Board has an Audit Committee of Directors since 25<sup>th</sup> March, 2003. The Committee has the powers similar to those stated in the listing agreement and exercises most of the functions as per terms of reference of the Audit Committee.

## COMPOSITION

The Audit Committee of the Board of your company comprises of three members, all non executive directors and out of whom two are independent directors. The committee functions under the chairmanship of Mr. Puneet Kaushik who is an independent director. Miss Rachna Gupta, Company Secretary act as secretary of the committee. The composition of committee is as follows :

Name of Members	Designation	Status/ Position
1. Puneet Kaushik	Chairman	Independent director
2. Sanjay Kumar Agarwal	Member	Independent director
3. K.C. Gupta	Member	Non Executive Director
4. Rachna Gupta	Company Secretary	

## NO. OF MEETINGS AND ATTENDANCE AT MEETINGS

During the year 2003-04, four meetings of Audit Committee were held on 30<sup>th</sup> June 2003, 31<sup>st</sup> July 2003, 31<sup>st</sup> October 2003 and 31<sup>st</sup> January 2004.

The Attendance of the Committee members at the above meetings is as follows:

MEMBERS	COMMITTEE MEETINGS	
	Held	Attended
1.Sh. Puneet Kaushik	4	4
2. Sh. Sanjay Kumar Agarwal	4	4
3 Sh. K.C.Gupta	4	4

Statutory Auditors are permanent invites to the Audit Committee.

## 4. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE -

## COMPOSITION

The Company has a Shareholders' / Investors' Grievance Committee to redress the complaints of the shareholders in respect of the matters pertaining to transfer of shares, non-receipt of annual report, dematerialisation of shares etc.

The Committee comprises of three directors namely Sh. K.C. Gupta, Sh. P.C. Bindal and Sh. Puneet Kaushik. The committee functions under the Chairmanship of Mr. K.C. Gupta.

## COMPLIANCE OFFICER

As per the requirement of the Listing Agreement with the Stock Exchange, Miss Rachna Gupta, Company Secretary act as the Compliance Officer of the Company.

During the year under review the company has not received any complaint from shareholders. There are no pending transfers as on 31st March 2004.

**5. GENERAL BODY MEETINGS :**

Location and time for the last three Annual General Meetings (AGM).

Year	Location	Date	Time
2000-01	Sheena Chahat Farm Farm No.6, Mandi Valley Farms New Delhi.	28.09.01	5.00 p.m
2001-02	Sheena Chahat Farm Farm No.6, Mandi Valley Farms New Delhi.	30.09.02	5.00 p.m
2002-03	101, Sita Ram Mansion 718/21, Joshi Road Karol Bagh New Delhi-110 005	24.09.03	4.00 p.m

All the Directors of the Company were present at the above Annual General Meetings.

*No special resolution was put through Postal Ballot during last year.*

**6. DISCLOSURES :**

- (1) There was no transaction of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.
- (2) Details of non compliance by the company, penalties strictures imposed on the company by stock exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years - *none*.

**7. RE-APPOINTMENT OF DIRECTORS :**

Mr. K.C.Gupta retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. K.C.Gupta aged about 40 years is on the board of the Company since incorporation.. He is a Fellow member of the Institute of Chartered Accountants of India and has rich experience in the field of finance and financial services. Mr. Gupta is also the director of SLS Stock & Share Brokers Limited, Balaji Fund Growth Limited and P.C.Bindal & Company Pvt. Ltd.. He is holding the position of Chairman of the Shareholders'/Investors' Grievance Committee of directors and also acts as a member of the Audit Committee of the directors of the Company.

**8. MEANS OF COMMUNICATION**

Quarterly results for the quarters ending on 30<sup>th</sup> June 2003 and 30<sup>th</sup> September 2003 were published in "Pioneer" and "Vir Arjun". Results for the quarter ended on 31<sup>st</sup> December 2003 and audited results for the quarter and year ended on 31<sup>st</sup> March 2004 were published in "Business Standard" and "Vir Arjun". The results were promptly furnished to the Stock Exchange for display on their respective websites.

Quarters	Date of Board Meeting	Date of Press Release
April - June 2003	31 <sup>st</sup> July 2003	1 <sup>st</sup> August 2003
July-September 2003	31 <sup>st</sup> October 2003	1 <sup>st</sup> November 2003
October-December 2003	31 <sup>st</sup> January 2004	1 <sup>st</sup> February 2004
January-March 2004 (Audited)	30 <sup>th</sup> June 2004	1 <sup>st</sup> July 2004

*"Management discussion & Analysis Report" forms part of the Directors Report.*

**9. GENERAL SHAREHOLDERS' INFORMATION****i) ANNUAL GENERAL MEETING**

Date and Time	Wednesday, 29 <sup>th</sup> September, 2004 At 3.30 p.m.
Venue	718, Joshi Road, Karol Bagh New Delhi - 110 005.

**ii) FINANCIAL CALENDAR :**

1<sup>st</sup> April to 31<sup>st</sup> March

**iii) BOOK CLOSURE**

24<sup>th</sup> September, 2004 to 29<sup>th</sup> September, 2004 (both days inclusive)

**iv) LISTING ON STOCK EXCHANGES**

Your company's shares are listed on the following stock exchanges:

- (1) The Delhi Stock Exchange Association Ltd.  
DSE House, 3/1 Asaf Ali Road  
New Delhi - 110 002