

The Power of Distribution ~~Mass~~ Financial Services Ltd



11th Annual Report 2005-06

Board of Directors

Shri Kamlesh Chimanlal Gandhi (M.D.)
Shri Mukesh Chimanlal Gandhi
Shri Siddharth Pravinchandra Shah
Shri Bala Bhaskaran

Bankers

Dena Bank - Ashram Road
Indusind Bank Ltd.
City Union Bank Ltd.
State Bank of Saurashtra
UTI Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.

Auditors

Chandrakant K. Thakkar & Co.
Chartered Accountants
6, Jay Shree Apartments,
Udyanmarg, Law Garden, Ellibridge,
Ahmedabad-380 006.

Registered Office :

6, Ground Floor,
Narayan Chambers,
Behind Patang Hotel,
Ashram Road,
Ahmedabad-380 009.

ANNUAL REPORT ☐ 2005-06

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**NOTICE**

NOTICE is hereby given that ELEVENTH ANNUAL GENERAL MEETING of the Members of **MAS FINANCIAL SERVICES LTD.** will be held on 20th September, 2006 at the Registered office of the Company, 6, Ground Floor, Narayan chambers, B/H, Patang, Ashram Road, Ahmedabad: 380009 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To Consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006, the Balance Sheet as on that date and the report of the Director's and Auditors thereon.
2. To appoint a Director in place of Mr. Bala Bhaskaran who retires by rotation and being eligible offers himself for re-appointment.
3. To be appoint M/S Chandrakant K. Thakkar & Co. Chartered Accountants, Ahmedabad as Auditors of the company to hold the office from the conclusion on this meeting until the conclusion of the next Annual General meeting on a remuneration as maybe fixed by the Board of Directors of the Company.
4. To declare dividend on Equity Shares.

SPECIAL BUSINESS :

**To consider and it thought fit to pass with or without modifications, the following resolution
As a Special Resolution**

a) POWER TO BORROW IN EXCESS OF PAID UP SHARE CAPITAL AND FREE RESERVES:

"RESOLVED THAT in super session of the earlier resolution passed by the members in general meeting held on 27th February, 2004 the Board of Directors of the company be and are hereby authorised under the provisions of the section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, for borrowing money from time to time, notwithstanding that the money or monies to be borrowed together with monies already borrowed by the company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of the paid up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount so borrowed shall not exceed a sum of Rs. 95,00,00,000/- (Rupees Ninety Five Crores only)."

"RESOLVED FURTHER THAT the Board of Directors of the company be and are hereby authorised to do such acts, deeds, matters and things and to execute such documents or writings as it may consider necessary, expedient or proper for the purpose of giving effect to this resolution."

As a Special Resolution**b) LOANS & INVESTMENTS U/S 372A :**

"RESOLVED THAT the Board of Directors of the company be and are hereby authorised under the provisions of the section 372 A, to give loans , guarantee and make investments in excess of the limits specified under section 372 A of the Companies Act, 1956 "

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

1. This sanction of the shareholders is sought to permit the Board to borrow moneys in excess of the Company's capital and free reserves. This is permissible under section 293 (1) (d) of the Companies Act, 1956, if the shareholders approve. The Company was having the borrowing powers up to Rs.50 crores. With the Company's plans for expansion and diversification, your Board thinks it necessary to acquire proposed borrowing power to meet the demand of Company's plan and commends passing of this resolution.

None of the Directors is in any way concerned or interested in this resolution proposed to be passed.



2. Order of Distribution

2. As per the provision of section 372A, if the loans and investments so far made, the amounts for which guarantee or security so far provided to or in all other bodies corporate, along with the investment, loan guarantee or security proposed to be made or given by the Board, exceeds sixty percent of its paid up share capital and free reserves, or hundred percent in free reserve, which ever is more, consent of the members is required in general meeting. With the proposed expansion plans of the company, your board thinks it necessary to pass this resolution.

None of the Directors is in any way concerned or interested in this resolution proposed to be passed.

Notes :

1. A Member entitled to attend and vote is entitled to appoint a Proxy or Proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. The proxy form, in order to be valid and effective, must be delivered at the Registered Office of the Company not later 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 Wednesday 20th September, 2006 to Wednesday 27th September, 2006 (Both days inclusive) for the purpose of Annual General Meeting to be held on 20th September, 2006 and payment of Dividend for the financial year ended on 31st March, 2006.
3. Members desiring any information as regards the accounts are requested to write to the Company at least ten days in advance so as to enable the management to keep the information ready.
4. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
5. Members are requested to notify immediately any change in their address to the Company.

Place : Ahmedabad

Date : 18th August, 2006

By Order of the Board

Registered Office
6, Ground Floor,
Narayan Chambers,
B/H Patang, Ashram Road,
Ahmedabad - 380009

Kamlesh C. Gandhi
(Chairman & Managing Director)

**DIRECTOR'S REPORT**

Dear Members,

Your Directors are happy to present the ELEVENTH ANNUAL REPORT of your Company together with the Audited Accounts drawn for the year ended on 31st March 2006.

FINANCIAL RESULTS :

	Year Ended 31/03/06 RUPEES	Year Ended 31/03/05 RUPEES
Hire Charges	-	126,286
Interest on Loan cum Hypothecation Agreements (Net)	141,144,998	87,563,684
Income From Operations & Other Income	11,835,928	2,105,324
Total Income	152,980,926	89,795,294
Total Expenditure	115,492,375	79,272,549
Profit Before Taxes	37,488,551	10,522,745
Provision for Taxation (Including Deferred Tax, Fringe Benefit Tax & Income Tax of earlier Years)	15,086,950	3,500,000
Profit After Taxes	22,401,601	7,022,745
Profit Brought Forward	24,289,750	19,127,654
Profit Available for Appropriation	46,691,351	26,150,399

APPROPRIATIONS :

Transfer to Statutory Reserve	4,485,464	1,404,549
Proposed Dividend	2,000,000	400,000
Corporate Tax on Dividend	280,500	56,100
Balance of Profit & Loss A/c.	39,925,387	24,289,750
	46,691,351	26,150,399

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BUSINESS PERFORMANCE

The company performed as per the targets laid down. The business model that the company pursues is of being an efficient and powerful distributor of the credit. The total assets under the management of the company is to the tune of 147 crores as on 31st March 2006.

Micro finance is identified as the key driver of the growth for the company. In consistence to the same necessary execution plans have been worked out to take a quantum jump in this segment in the following year. Over all demand for the micro finance is huge and it requires vast and penetrating distributing skills accompanied by sound credit models to serve the segment.

The company with its vast branch net work and experience of almost two decades is poised to serve the market on the scalable and the sustainable business modules.

RESOURCES :

We are very delighted to inform that your company has attracted risk capital from Bellwether Micro Finance Fund of Rs. 6.50 Crores. (in July 2006) This will help the company to leverage, which will result in to greater market share and enhanced profitability.

I welcome Mr. S Viswanatha Prasad on the board as the nominee of Bellwether Micro Finance Fund. His presence will further strengthen the board.

The company by virtue of its performance and over the years enjoys very good relationships with almost all leading retail financing institutions and banks. It works as the distributor of credit on the comprehensive basis and is poised to take quantum jump in the volumes with almost all of them.

Your Company enjoys the confidence of its Bankers and investors. Your Company is thankful to all its bankers under consortium finance. We work on the business model of distribution of credit where the portfolio to the extent of the NOF and the borrowing is retained on the balance sheet and the rest is sold to the other big retail financing players. We also work on the partnership model with some of the leading banks where the business is constrained due to the lack of capital.

DIVIDEND :

Your Company firmly believes in consolidation of its Reserves and Surplus which is one of the major indicator of its financial strength. In consistence with the above policy your Directors Propose 5% dividend on Equity Shares.

ISSUE OF BONUS SHARES :

The Board of Directors proposes to issue Bonus Shares in the Ratio of 1:2 shares subject to approval of the Members in the Annual General Meeting.

FINANCIAL HIGHLIGHTS :

The gross income realized by the company is Rs.1529.81 lacs (Previous year Rs.897.95 lacs) comprising of Interest Income on Loan Cum Hypothecation Agreements. Net Profit after tax is Rs. 224.01 lacs (Previous year Rs.70.22 lacs).

**CAPITAL :**

The Total Issued and Paid-Up Capital at the end of the Eleventh Year: - Equity Share Capital Rs. 4,00,00,000(Four Crores).

PROSPECTS :

This was 11th year in a row of consolidation & restructuring for the NBFC industry. The retail industry market size is so huge that it provides opportunity for all the well managed financial institutions, be it banks or NBFC. Due to very sound and fundamentally correct business model of distribution of credit the company is working complimentary to all most all leading retail financing players.

Your company offers a range of products and services that caters to almost every need of its customers in retail segment. Automobile & Consumer Durable Sales are expected to grow in the years to come, driven by a strong marketing thrust given by leading national and International Auto giants and FMCG Companies. Because of your company's excellent recovery ratio, large dealer's network, established name presence, well developed organization channel, large customer base, knowledge of the local market and willingness to re-strategise to keep pace with the developments, company's management is confident to emerge out as strong player in the industry of this region. Your company is well positioned to take advantage of the opportunities in the market and post a satisfactory performance in the current year.

STATUTORY COMPLIANCE :

The Company has made necessary provision towards non-performing assets, fully complying with the provisioning requirement of the Prudential Norms prescribed by Reserve Bank of India. The company has also complied with the directions issued by Reserve Bank of India regarding Capital Adequacy, Asset classification and provisioning norms.

Risk management

Financing activity is the business of management of risks. Risk management is the function of the appropriate credit models and the robust systems and operations. Your company over the years has worked very hard to consolidate on the above two maxims, and is always eager to improve upon the same.

Your Company continues to give prime importance to the function of receivables management as it considers this the ultimate reflection of the correctness of its marketing strategy as well as its appraisal techniques. The company achieved almost 93% recovery, with overdue of 7% only. It may be noted that the above mentioned 7% debtors are under strictest surveillance of follow up. The NPA Accounts of the company stands at meager amount of Rs. 70.19 Lacs which is approximately 0.84 % of its Credit exposure which includes managed portfolio.

The main reasons for such an excellent recovery performance are as follows :

- 1) Proper appraisal techniques.
- 2) Vigorous follow up.
- 3) Very close monitoring.
- 4) Wide customer base.
- 5) No long tenures.

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- 6) Excellent marketing strategy.
- 7) Class of repeat satisfied customers.
- 8) Quality Assets

INSURANCE:

The assets of your Company have been adequately insured.

FIXED DEPOSIT

Your company has decided to surrender all the deposits and transformer in to a non-deposit taking company.

LEGISLATIVE AND REGULATORY ISSUES

It is indeed unfortunate that the genuine demands of NBFCs continue to remain unresolved. Over the years, regulation has, rightly, focussed on investor protection. It must however be borne in mind, that the most important element in investor protection is a healthy NBFC sector. Investor protection can only be strengthened if NBFCs have the legal remedies to protect their assets.

The denial of the legal remedies and tax benefits that are available to banks and housing finance companies, is clearly without justification and fails the test of equity. The Parliamentary Standing Committee on Finance has also made several recommendations towards providing NBFCs a level playing field with banks. The industry association should once again urge the Government and RBI to take immediate steps to restore parity among the various constituents in the financial system.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that :

1. In the preparation of the annual accounts for the Financial Year ended 31st March, 2006 the applicable accounting standards have been followed.
2. 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 state of affairs of the Company as at 31st March, 2006 and of the profit for the period from 1st April, 2005 to 31st March, 2006.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts for the financial year ended 31st March 2006 have been prepared on a "Going Concern Basis".



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STATUTORY INFORMATION

Particulars of Employees

The information as required Under Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employee) Rules 1975, is NIL.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo :

The Company has no activities relating to Conservation of energy or Technology Absorption. The company has no Foreign Exchange earnings and outflow.

AUDITORS

M/S. Chandrakant K. Thakkar & Co., auditors of the Company retire at the ensuing Annual General Meeting of the company and are eligible for reappointment. The members are requested to consider their reappointment for the financial year 2006-07.

DIRECTORS

In Accordance with the requirement of the Companies Act, 1956 and Articles of Association of the Company, Shri Bala Bhaskaran, Director of the Company retires by rotation and being eligible offers himself for re-appointment. Shri Pravinbhai L. Shah Director of the company has retired due to the personal reasons. The Board appreciates his valuable services.

ACKNOWLEDGEMENT

The Directors place on record their appreciation to all those people who have so willingly placed their trust in the company & its management, those who have given the company opportunity to serve them, those whose commitment and dedication have endeared your company to a wide cross section of people. This journey would not have been possible without their support.

Thank you.

For and on behalf of the Board of Directors

Place : Ahmedabad.
Date : 18th August, 2006

KAMLESH C. GANDHI
CHAIRMAN & MANAGING DIRECTOR