

MEFCOM

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	NA		SHI	✓
YE	✓			



no note

ANNUAL REPORT 1997-98

Mefcom CAPITAL MARKETS LIMITED
SEBI Approved Cat.-I Merchant Bankers.
RBI Approved Non-Banking Finance Co.

www.reportjunction.com



Mefcom Capital Markets Limited

13th Annual Report 1997-98

BOARD OF DIRECTORS :

Mr. Vijay Mehta *Chairman*
Mrs. Indu Mehta
Mr. D.C. Singhanian
Mr. Deepak Talwar
Mr. Jagjeet Sinha

COMPANY SECRETARY :

Mr. Deepak Arora

AUDITORS :

V.K. DHINGRA & CO.
Chartered Accountants
1E/15, Jhandewalan Extension
New Delhi - 110 055

BANKERS :

Standard Chartered Bank
Punjab & Sind Bank
Andhra Bank

REGISTERED OFFICE :

12/3, Asaf Ali Road,
New Delhi - 110 002

Don't Quit

*When things go wrong, as they sometimes will,
When the road you're trudging seems all up hill,
When the funds are low, and the debts are high,
And you want to smile, but you have to sigh,
When care is pressing you down a bit,
Rest if you must, but don't quit*

*Life is queer with its twists and turns,
As everyone of us sometimes learns,
And many a failure turns about,
When he might have won had he stuck it out.
Don't give up though the pace seems slow,
You may succeed with another blow.*

*Success is failure turned inside out,
The silver tint of the clouds of doubt,
And you never can tell how close you are,
It may be near when it seems so far;
So stick to the fight when you are hardest hit,
It's when things seem worse,
that you must n't quit.*

Mefcom Capital Markets Limited

Chairman's Address

Dear Shareholders

The 13th Annual Report of your company for the period ended 31st March 1998 is in your hands now. This annual report is for a period of 9 months as compared to 12 months period of last Annual Report. Needless to say that you should annualize results of the current year so as to get better comparative figures of your company.

Last year has not been a pleasant year for your company as you can also notice by perusal of the enclosed accounts. The recessionary trend which started last year has shown no signs of receding. Elders have classified 1998 as the worst year for Indian business and your company also could not stop the onslaught though it has managed to survive - but not without cuts and bruises. The worst hit were those who had collected heavy deposits from public and/or were incurring heavy expenditure and both these factors were missing so far as your company is concerned.

The small wave of pessimism which touched the Indian shores has now turned into a frenzy thereby affecting almost every sector of the economy and accelerating recessionary conditions in the country. Barring few industries like Software, Pharmaceuticals, Fast moving Consumer goods and Entertainment industry, all others have shown steep fall in sales and profits. Even the traditionally strong companies like TISCO, TELCO, SAIL, Grasim, Indian Rayon etc. - considered to be the pillars of Indian Industry - have fallen prey to these recessionary conditions. NBFCs as a whole have been affected either because of the 2 factors explained above or due to non-availability of finance resulting into almost stoppage of their activities. Infact, a lot many NBFCs have closed business or sold out to bigger ones.

After the CRB fiasco last year, NBFCs came under the regulations of Reserve Bank of India (RBI) who issued a directive to them to stop Merchant Banking activities, Brokerage, Underwriting etc. Due to this directive and also due to defaults in the short term money market as well as uncertainty in other markets because of recessionary conditions, we were forced to change focus and re-structure our operations so as to ensure optimum return on funds. This has taken most of our time and energy during last year as it takes time to enter new areas which are safe and remunerative and are also difficult to penetrate. In the interim period, your company decided to withdraw temporarily from active operations and keep its funds in Bank deposits so as to avoid any further deterioration of its assets base. A Lot of time also went into recovery of earlier advances.

The NBFCs in India have been operating mainly in four sectors:-

- a) Investment / Merchant Banking
- b) Leasing & Finance
- c) Portfolio Investments
- d) Misc. specialised areas like Brokerage, Underwriting, Foreign Exchange Money Changers etc..

The earnings of your company had been earlier coming from Fee based activities like Merchant Banking,



Underwriting and interest on deployment of funds in short term money market instruments besides earnings from leasing and share investments. During the process of re-structuring, your directors have decided to enhance its exposure into areas of share investment and specialised sectors of Auto and Corporate finance. I am pleased to inform that small beginning has been successfully made and we hope to present a better balance sheet for the current year. Efforts, however, are underway to identify better & innovative avenues for faster growth.

In keeping with the recessionary trends, your company has taken extra care in reducing expenses. By going through the profit & Loss account, you will notice that most of the expenses have been brought down except for debts doubtful of recovery and provision for sub-standard assets which alone constitutes Rs.117.18 lacs. Adding it together with Rs.78.48 lacs of the previous year makes a total of about Rs.200 lacs which is the maximum amount your company might have to suffer on account of bad debts as per the estimate of the Board. Another amount of Rs.15.90 Lacs is shown on the expenditure side on account of interest tax which is one time expenditure only and was made this year but mainly pertains to earlier years.. If we take out these major expenditure items from both years, expenses in the current year have come down to Rs.50 Lacs as compared to about Rs.120 lacs in the previous year. Since this balance sheet is for 9 months, the annualised expenditure for the current year can be taken around Rs.62 lacs which is almost 50% of the expenditure in the previous year. You will please appreciate that the expense of Rs.5 lacs per month for a company of this size is not on the higher side. We are confident of maintaining it during the current year as well.

In addition to making substantial provision on account of debts doubtful of recovery and sub-standard assets, your board of directors also decided to provide for Rs.114.44 lacs on account of fall in the market value of investments which is a notional expense as the shares have not yet been sold. Analysts are predicting a better stock market in the coming months. Your company has the capacity to hold on to its investments and hope to recover substantial part of its losses in shares as and when the markets recover.

The public issue of your company opened in February 1995. Many shareholders did not pay the allotment money despite reminders for three years. Your board, therefore, forfeited these shares on 22nd May, 1998, as a result of which the capital of the company has reduced to Rs.538 lacs. We have also consolidated all multiple folios. Both these steps have reduced the number of shareholders from 5061 to 4133 and the share transfer work is now being handled in-house only, through which we have further reduced expenses of the company - though marginally. Mefcom Securities Ltd has ceased to be a subsidiary of the company due to the directives of The Stock Exchange, Mumbai and the provisions contained in the corporatisation scheme of Government of India for stock broking companies.

As always, your directors as well as the employees are trying to contribute their best towards betterment of the company's affairs. I am equally confident that your blessings will remain with us.

With Kind regards

VUJAY MEHTA

Mefcom Capital Markets Limited

DIRECTORS' REPORT

Dear Shareholders

We have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the Year ended 31st March, 1998.

FINANCIAL RESULTS

	From 1st July, 97 To 31st, March 98 (Rs. in Lacs)	From 1st July, 96 To 30th June, 97 (Rs. in lacs)
Gross Income	112.50	279.78
Profit/(Loss) before interest, depreciation and tax	(192.42)	72.75
Interest	0.11	0.19
Depreciation	65.37	25.79
Provision for tax	2.60	22.01
Profit/(Loss) after tax	(260.50)	24.76

OPERATIONS

The Operations for the Financial year 1997-98 remained under stress both due to the recessionary trend prevailing in the economy and the desire of the Board of directors to play safe. Traditional activities of the company like Merchant Banking, Underwriting etc. had to be discontinued due to new SEBI directives. Fresh areas had to be exploited thereby creating a gestation period during which the company decided to put funds in bank deposits which brought lower returns thereby affecting the profitability of the company.

Your company fully complied with the requirement of RBI norms regarding income recognition and provisions for non performing assets (NPA) because of which larger provisions have been made in the Profit & Loss account. In line with the standards adopted by the best companies in India, your company has also made full provision for drop in the market value of shares investment which, though notional, have reduced profitability by Rs. 114.44 lacs.

The accounting year of your company has been changed from June to March. In view of the same, this annual report is for a period of 9 months, instead of 12 months period of last annual report.

Mefcom Securities Ltd. ceased to be a subsidiary of the company. Your company has also gone into restructuring of its operations and, as a result, expenses have come down by 50% as compared to previous year.

FUTURE OUTLOOK

Due to the various policy decisions implemented this year, this balance sheet is presenting the worst possible scenario your company can face. In view of the same, the future outlook should be brighter. The company has also been able to successfully enter into financing of small size commercial vehicles where the business is steadily increasing. The stock market also seems to have bottomed out as per the opinion of experts and your company is confident of showing better results for the year ending 31.03.1999.

DIRECTORS

Mrs. Indu Mehta Director of the Company is liable to retire by rotation at the conclusion of this Annual General Meeting and being eligible, offers herself for reappointment. The Board recommends her reappointment.



Mr. D.C. Singhania, Director of the Company due to retire by rotation at the conclusion of this Annual General Meeting, has not offered himself for reappointment. Your Directors wish to place on record their appreciation of the valuable services rendered by him during the period he served as director of the company. Your Directors also propose not to fill up the vacancy arising due to non appointment of Mr. D.C. Singhania.

FIXED DEPOSIT

The company does not have any public deposits.

AUDITORS

M/s. V.K. Dhingra & Company, Chartered Accountants, New Delhi retire at the conclusion of this Annual General Meeting and being eligible for reappointment, have expressed their willingness to be reappointed, as statutory auditors of the Company. Your Directors recommended their reappointment.

PARTICULARS OF EMPLOYEES

The Company has no employees in the Category of employees specified under section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO.

Your Company has no activity relating to conservation of energy or technology absorption.

During the year under review, the Company did not have any foreign exchange earning and outgo except in respect of travel expenses.

SUBSIDIARY COMPANIES

Annual Report and Audited Accounts of the subsidiary company viz., Mefcom Financial Services Ltd. for the year ended 31st March, 1998 are enclosed herewith, pursuant to the provision of section 212 of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the continued support from its Bankers, Government Authorities, Business Constituents, Shareholders & Employees.

for and on behalf of the Board
for MEFCOM CAPITAL MARKETS LIMITED

Place : New Delhi
Dated : September 4, 1998

(VIJAY MEHTA)
Chairman

Mefcom Capital Markets Limited

AUDITORS' REPORT

THE MEMBERS

MEFCOM CAPITAL MARKETS LIMITED

We have audited the attached Balance Sheet of **MEFCOM CAPITAL MARKETS LIMITED** as at 31st March, 1998 and also the Profit and Loss Account of the Company for the period from 1st July, 1997 to 31st March, 1998 annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' 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 a statement on the matters specified in paragraphs 4 and 5 of the said report.
2. Further to our comments in the annexure referred to in paragraph 1 above :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) 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 those books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the accounts, subject to non-provision of accruing liability for gratuity, effect of which on the accounts not being ascertained, Note No. 13, regarding non-reversal of unrealised income and read with other notes thereon, given in Schedule 'K', give the information required by the, Companies Act, 1956, in the manner so required and given a true and fair view :
 - i) In case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 1998, and
 - ii) In case of Profit and Loss Account of the Loss of the Company for the period ended on that date.

for **V.K. DHINGRA & CO.**
Chartered Accountants

Place : New Delhi
Dated : September 4, 1998.

V.K. DHINGRA
Partner

ANNEXURE TO AUDITORS' REPORT

(Annexure referred to in Paragraph (1) of our Report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Assets on lease have been inspected by the field staff on their visits to the lessees during the year and as such the programme of verification of these assets is reasonable having regard to the size of the Company and nature of its assets. Other Fixed Assets of the Company were physically verified by the management at reasonable intervals. No discrepancy was found on verification of Fixed Assets during the period.
2. No fixed asset has been revalued during the period.
3. The investment held as stock-in-trade has been periodically reconciled with the statements. No discrepancies has been noticed on such reconciliation. In our opinion, the value of such stock-in-trade is fair and proper and in accordance with the normally accepted accounting principles.
4. The Company has not taken any loans secured or unsecured from Companies, Firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or from Companies under the same management as defined under Section 370(I-B) of the Companies Act, 1956.



5. In our opinion and according to the informations and explanations given to us, the terms and conditions on which the company has granted loans and advances to companies, Firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or to the Companies under the same management as defined under Section 370 (I-B) of the Companies Act, 1956, are not prima facie prejudicial to the interest of the company.
6. In respect of loans or advances in the nature of loans granted by the Company, the parties except for non performing advances, were generally regular in payment of principal amount as stipulated and interest, wherever applicable. As per information and explanations given to us reasonable steps are taken for recovery of principal and interest in case of non-performing assets.
7. In our opinion, and according to 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 purchase of shares & securities, plant and machinery, equipments and other assets.
8. In our opinion and as per explanations given to us the transactions of purchase and sale of shares made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 as aggregating during the period to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices of such share.
9. The Company has not accepted any deposits from the Public during the period.
10. In our opinion the Company has an Internal Audit System which needs to be further strengthened to be commensurate with the size of the company and nature of it's business.
11. The Provident Fund and Employee state insurance dues have generally been regularly deposited with appropriate authority during the period.
12. According to the books and records examined by us and information and explanations given to us, there were no undisputed amounts payable in respect of Income-tax, Wealth- tax, Sales-tax, Custom duty and Excise duty which have remained outstanding as at 31st March, 1998, for a period exceeding six months from the date they became payable.
13. According to the information and explanations given to us and records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or generally accepted business practices.
14. We were explained that the Company has not granted any loans and advances on the basis of security by way of pledge of shares.
15. In respect of investment in shares, proper records have been maintained of the transactions and contracts and timely entries have been made therein and the investment has been held by the Company in its own names except for in certain cases where we were informed that the share certificate were in the process of transfer and in absence of proper evidence we are unable to comment whether the same have been transferred in the Company's name or not.
16. Considering the nature of business being carried on at present by the Company and also the nature of matters referred to in various clauses of Manufacturing and Other Companies (Auditors' Report) Order, 1988 clauses (xii), (xiv) and (xx) of para 4A and 4D (ii) of the aforesaid order are, in our opinion, not applicable to the Company.

for **V.K. DHINGRA & CO.**
Chartered Accountants

Place : New Delhi
Dated : September 4, 1998.

V.K. DHINGRA
Partner

Mefcom Capital Markets Limited

BALANCE SHEET AS AT 31ST MARCH, 1998

SCHEDULE		AS AT 31.3.1998		AS AT 30.6.1997	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
1. SHARE HOLDERS' FUND					
a) Share Capital	'A'	6,46,52,392.00		6,45,66,266.00	
b) Reserve and Surplus	'B'	11,00,50,054.00		11,14,87,765.10	
			17,47,02,446.00		17,60,54,031.10
2. LOAN FUND					
- Secured Loan	'C'		10,203.30		64,338.97
TOTAL					
			17,47,12,649.30		17,61,18,370.07
APPLICATION OF FUNDS					
1. FIXED ASSETS					
Gross Block	'D'	1,86,33,963.59		1,69,81,361.59	
Less: Depreciation		50,56,082.49		43,62,654.77	
			1,35,77,881.10		1,26,18,706.82
2. INVESTMENTS					
	'E'		4,94,46,210.44		6,01,08,428.44
3. CURRENT ASSETS, LOANS & ADVANCES					
a) Current Assets					
-Sundry Debtors		7,68,434.00		19,47,474.00	
-Stock-in-trade		1,15,80,586.11		—	
-Cash & Bank Balances		1,88,55,317.83		1,65,14,741.04	
-Other Current Assets		5,80,535.50		33,36,685.60	
b) Loans and Advances		6,08,74,220.46		9,27,12,736.67	
		9,26,59,093.90		11,45,11,637.31	
Less: CURRENT LIABILITIES & PROVISIONS	'G'	1,22,37,885.93		1,84,95,201.50	
			8,04,21,207.97		9,60,16,435.81
4. MISCELLANEOUS EXPENDITURE					
(To the extent not written off or adjusted)	'H'		66,55,474.00		73,74,799.00
5. PROFIT AND LOSS ACCOUNT					
			2,46,11,875.79		—
TOTAL					
			17,47,12,649.30		17,61,18,370.07
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS					
	'K'				

Schedules referred to above form integral part of this Balance Sheet

As per our report of even date

For **V.K.DHINGRA & CO.**

Chartered Accountants

(V.K. DHINGRA)

(Partner)

Place : New Delhi

Dated : September 4, 1998

(VIJAY MEHTA)

Chairman

(JAGJEET SINHA)

Director