



PAL CREDIT & CAPITAL LTD.

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ANNUAL REPORT 1997-98

BOARD OF DIRECTORS



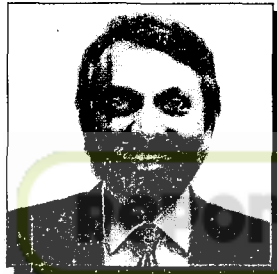
Shri Arvind R. Doshi
Chairman



Shri Vinod L. Doshi



Shri J.M. Vakil



Shri Chakor L. Doshi



Shri Maitreya V. Doshi



Shri Arun R. Gandhi



Shri C.K. Tikku



Shri I.R. Joshi



Shri C.P. Shah
Managing Director



NOTICE

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of the Members of PAL Credit & Capital Ltd., will be held at the Walchand Hirachand Hall, Indian Merchants' Chamber, Indian Merchants' Chamber Marg, Churchgate, Mumbai - 400 020 on Tuesday, the 22nd day of September, 1998 at 11.00 a.m. to transact the following business :

AS ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 1998 and the Audited Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Chakor L. Doshi, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Arun R. Gandhi, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri C. K. Tikku, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

AS SPECIAL BUSINESS:

6. To consider and, if thought fit to pass, the following resolution, with or without modifications, as an ORDINARY RESOLUTION :

“RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company, pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals/sanctions as may be necessary, to deal with, dispose off, sell, transfer, alienate, assign, and/or hypothecate/ charge the assets of the Company, tangible and intangible, movable/ immovable and/or the whole of the undertaking of the Company or a part thereof as may be deemed necessary by the Board in the interest of the Company from time to time and/or at such time as the Board may consider necessary and expedient.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to sign and execute such writings, deeds and documents in regard thereto and to do all such acts, deeds, matters and things from time to time as may be deemed necessary for all and/or any of the purposes aforesaid as the Directors may deem fit.

By Order of the Board of Directors,
For **PAL CREDIT & CAPITAL LTD**

ANSELM J. PINTO
Company Secretary

Registered Office :

505, Kakad Chambers,
132, Dr. Annie Besant Road,
Worli, Mumbai 400 018

Dated : 22nd June, 1998

**NOTES :**

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Annual General Meeting.

- (b) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 3rd September, 1998 to Monday, 21st September, 1998 (both days inclusive).
- (c) The Company has transferred unclaimed dividend declared for the year ended 31st March, 1994 to the General Revenue Account of the Central Government as required by Companies Unpaid Dividend (Transfer to General Revenue Account of Central Government) Rules, 1978 on 26th August, 1997. The Company proposes to transfer unclaimed dividend for the year ended 31st March, 1995 on or before 20th November, 1998. Members who have not claimed/encashed their dividend for the aforesaid period, should either intimate the Company before the 10th September, 1998 or if the same has been transferred to the Central Government in which case members should submit their claim to Registrar of Companies, Maharashtra.
- (d) All documents referred to in the accompanying notice and explanatory statements are open for inspection at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day prior to the date of the Meeting.
- (e) Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting and also their copies of the Annual Report.

- (f) The relative Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956, in respect of business under Item Nos. 6 set out above is annexed hereto.

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO. 6**

Presently Non-Banking Financial Companies are facing adverse circumstances due to a deepening depression in the industrial sector as also due to erosion in the fixed deposit base and inadequate availability of funds/loans from banks and financial institutions. The Company is therefore exploring alternate avenues of raising funds through securitisation of its hire purchase and leased assets and/or sell, lease or otherwise dispose off the whole or substantially the whole of the other assets of the Company for which the consent of the Company in the general meeting is required.

Accordingly, your Directors recommend this resolution as an enabling resolution.

None of the Directors are concerned or interested in this resolution.

By Order of the Board
For **PAL CREDIT & CAPITAL LTD.**

ANSELM J. PINTO
Company Secretary

Registered Office :

505, Kakad Chambers,
132, Dr. Annie Besant Road,
Worli, Mumbai 400 018.

Dated : 22nd June, 1998



PAL Credit & Capital Ltd.

Registered Office : 505, Kakad Chambers,
132, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

ATTENDANCE SLIP

I certify that I am a registered share holder/proxy for the registered shareholder of the Company. I hereby record my presence at the Thirty Sixth Annual General Meeting of the Company being held at Walchand Hirachand Hall, Indian Merchants' Chambers, Indian Merchants' Chambers Marg, Churchgate, Mumbai - 400 020, on Tuesday, 22nd day of September, 1998, at 11.00 a.m.

.....
Member's / Proxy's Name in Block Letters

.....
Member's / Proxy's Signature

Note : 1 Please fill in this attendance slip and hand it over at the ENTRANCE OF THE MEETING HALL.

2 Members are requested to bring their copies of the Notice and Annual Report with them to the meeting.

.....
CUT HERE



PAL Credit & Capital Ltd.

Registered Office : 505, Kakad Chambers,
132, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

PROXY FORM

I/We
ofbeing member(s) of PAL Credit & Capital Ltd.
hereby appoint ofor failing him
..... of.....or failing him
..... of..... as my/our proxy to
attend and vote for me/us on my/our behalf at the 36th Annual General Meeting of the Company to be
held on Tuesday, 22nd September, 1998 at 11.00 a.m. and at any adjournment thereof.

Signed this..... day of 1998.

Please affix
30 p.
Revenue
Stamp

-----Signature-----

Note : The proxy form in order to be effective should be duly stamped, completed and signed and must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting. The proxy need not be a member of the Company.



BOARD OF DIRECTORS

Shri Arvind R. Doshi - Chairman
 Shri Vinod L. Doshi
 Shri J.M. Vakil
 Shri Chakor L. Doshi
 Shri Maitreya V. Doshi
 Shri Arun R. Gandhi
 Shri C.K. Tikku
 Shri I.R. Joshi
 Shri C.P. Shah - Managing Director

**Company Secretary**

Shri Anselm J. Pinto

Solicitors

Messrs Daphtary, Ferreira & Divan
 Messrs Matubhai Jamietram

Auditors

Messrs K.S. Aiyar & Company
 Chartered Accountants

Bankers

Bank of Baroda
 State Bank of India
 State Bank of Travancore
 State Bank of Hyderabad
 Dena Bank
 Punjab & Sind Bank

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PALCREDIT Securities Ltd.

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Share Transfer Agents:

MCS Ltd.
 Sri Venkatesh Bhavan, Plot No. 27,
 Rd. No. 11, MIDC Area, Andheri (E),
 Mumbai - 400 093.
 Tel.: 8215235. Fax: 8350456

Registered Office:

505, Kakad Chambers,
 132, Dr. Annie Besant Road,
 Worli, Mumbai - 400 018.
 Tel.: 4964611. Fax: 4950409
 Internet E-mail : palccl@viasbm01.vsnl.net.in
 Sprint Internet :
 pccl.bom@ho.palccl.sprintsmx.ems.vsnl.net.in

36TH ANNUAL GENERAL MEETING

Day, Date	:	Tuesday, 22nd September, 1998
Venue	:	Walchand Hirachand Hall, Indian Merchants' Chamber Indian Merchants' Chamber Marg, Churchgate, Mumbai-400 020
Time	:	11.00 a.m.



FIVE YEAR FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	1993-94	1994-95	1995-96	1996-97	1997-98
Amount Financed	5699.99	11266.33	11215.60	11412.31	5524.47
Gross Income	1564.37	2679.03	3716.03	3998.97	3151.39
Gross Profit Before Depreciation	663.51	1130.70	1513.10	1390.92	316.79
Depreciation	357.84	653.07	903.86	990.65	749.70
Profit/(Loss) Before Tax	305.67	477.63	609.24	400.27	(432.19)
Profit/(Loss) After Tax	305.67	477.63	609.24	348.27	(652.19)
Equity Dividend (%)	35%	35%	35%	10%	---
Retained Earnings	166.08	293.88	396.36	1.91	---
Net Fixed Assets	2051.87	3424.84	4016.69	4146.53	3215.75
Stock-on-Hire [Net]	4277.14	6878.70	8433.28	9085.11	6796.11
Other Current Assets Including Investments	1179.59	1977.80	3098.66	4595.61	4248.17
Share Capital	524.39	524.91	2128.60	2202.00	2160.03
Reserves & Surplus	753.46	1047.77	1387.03	1388.94	793.39
Borrowings	5767.13	10060.37	11057.46	12804.01	10754.45
Current Liabilities & Provisions	463.62	648.29	975.54	1432.30	552.16
Cash Generation per Equity Share (Rs.)	16.51	21.54	28.27	20.51	1.46
Earnings per Equity Share (Rs.)	7.64@	9.10	11.05*	1.14*	---
Book Value per Equity Share (Rs.)	24.34	29.96	36.42	36.46	13.67**

@ Annualised

* E.P.S. has been calculated after dividend on 15% Cumulative Convertible Preference Shares (CCPS).
The E.P.S. before Preference dividend is Rs. 11.60 for 1995-96 and Rs. 6.63 for 1996-97.

** Calculated on the enlarged equity capital after conversion of CCPS.

36th Annual Report 1997-98

CHAIRMAN'S STATEMENT

Presently, the Country is passing through severe political and economic turmoil and one does not know what it will lead to. The mid-term poll has failed to give a decisive mandate to a single party resulting into perpetuating of uncertainty. The ruling coalition government led by the Bharatiya Janata Party is passing from one crisis to another. In this process, they are unable to prioritise the various problems faced by the country. The nuclear explosions followed by the economic sanctions by USA and Japan have raised doubts in the mind of the world community with regard to the long term prospects of the country, leading to its downgrading by the international rating agencies. Fortunately, the Finance Bill, 1998 which has just been passed by the Lok Sabha has not reversed the process of liberalisation. Nevertheless, it has created apprehensions about the ballooning of the fiscal deficit and the resultant severe inflation. Industrial production continues to stagnate and the fear of recession arising out of lack of demand is looming large.

In such a scenario, the finance sector is bound to face serious problems in terms of lack of credit growth and increased level of Non-Performing Assets (NPAs). As far as Non-Banking Financial Companies (NBFC) sector is concerned, it is passing through its worst times. As a fall-out to the CRB imbroglio, the investors' confidence in this sector has been seriously eroded leading to large scale withdrawals of deposits and diversion of the same to the banking sector.

The banks and the financial institutions are also in the process of reducing their exposure to this sector. The new regulatory framework introduced by RBI in January 1998 has dealt a severe blow to deposit mobilisation efforts of this sector. Linkage of deposit acceptance limit to credit rating and steep reduction thereto has resulted into a large outflow of funds from this sector. All these measures have completely dried up the financial resources available to the NBFC sector. On the other hand the business prospects, especially that of hire purchase/leasing companies, have been seriously affected due to the severe competition offered by foreign banks and financial institutions. The mid-size hire

purchase/leasing companies have to face competition from large size NBFCs also and they are being gradually eased out from the business. Large scale defaults by the corporate sector and by the truck operators are leading to high level of NPAs. Stricter norms prescribed by RBI for income recognition and provisioning against NPAs are also taking a heavy toll on the profitability. In a nut shell, NBFC sector is passing through a situation where its fund base is eroding, the business opportunities are reducing and its NPAs are mounting. Chances of an early revival are rather slim, looking at the demand recession faced by the industry in general and by the automobile sector in particular. No wonder then, that several finance companies have chosen to merge with financial institutions or they are gradually losing their identity through alliances being struck with foreign auto manufacturers. In view of the adverse circumstances enumerated above, the entire NBFC sector has been downgraded by the rating agencies, which has further eroded the confidence of the investing public.

The negative results achieved by the Company are to be viewed in light of the highly unfavourable circumstances detailed above. You would have observed from the Directors' Report that the disbursements made by the Company have come down to Rs. 4917.79 Lakhs as against Rs. 8760.27 Lakhs disbursed in the previous year, signifying a steep reduction of 43.86%. Your Company has also suffered such a heavy loss mainly because of the non accrual of income and provisioning requirements against NPAs. The Company was also required to make substantial provision towards past years income tax liabilities, which has further aggravated the situation.

In the current year also, the Company's performance continues to be adversely affected due to lack of adequate financial resources as also due to narrowing of spreads in the wake of intense competition. In order to survive the present difficult times, the Company has taken all required steps, such as stringent economic measures, intensifying efforts to recover the overdues, reduction in employee cost etc. The Company has become highly selective with regard to its lending in order to avoid further increase in the NPAs. The Company has opened a new branch in Nagpur in order to intensify the recovery efforts in that region whereas the Company has closed down the Coimbatore branch, as part of the ongoing eco-

**PAL Credit & Capital Ltd.**

nomic measures.

In order to be competitive in the market place and enhance the business prospects, it is felt necessary to restructure the operations of the Company. In this regard, the Company is evaluating various options available.

The Company has continued to lay emphasis on improving its information technology to harness the latest systems available so as to enhance effectiveness of the quality of service rendered to its customers.

The Company's joint venture i.e. Creditline Motors Ltd. for distribution of UNO and Padmini cars has started doing well in the current financial year in view of the improvement in the demand for UNO diesel cars as also improvement in the supply of cars by the principals. It is hoped that this trend will continue and the joint venture will be able to wipe out the accumulated

losses in a year or two.

The Company's subsidiary, viz. PALCREDIT Securities Ltd., has not been able to perform well and Company is exploring various ways and means, including closing down of this activity.

I would like to thank the consortium of banks and financial institutions who have continued their support in this difficult period. I would also like to express my sincere thanks to all our shareholders, depositors and clients who stood by us all the time.

I also sincerely appreciate the team work shown by the executives and staff members in dealing with the trying situation.

ARVIND R. DOSHI
Chairman

Dated : 29th July, 1998.

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