

# **18th ANNUAL REPORT**

## **2002-2003**



# **RAJATH**

**REPORTJUNCTION.COM**  
**FINANCE LIMITED**

*Regd. Office :* For Rajath Finance Limited  
  
Company Secretary

208-215, "Star Plaza",  
Phulchhab Chowk,  
Rajkot - 360 001.

Phone : 2447800-1. Fax : 91-281-2454271

# **RAJATH FINANCE LIMITED**

## **BOARD OF DIRECTORS**

### **Chairman**

**C. V. Kamani**

### **Managing Director**

**H. M. Pai**

### **Directors**

**R. C. Kamani**

**D. C. Kamani**

**N. D. Popat**

**N. C. Dave**

**P. I. Mody**

### **Company Secretary**

**Sudhir Bhatt**

### **Auditors**

**M/s. M. P. Sarda & Associates**

**Chartered Accountants**

### **Bankers**

**State Bank of Saurashtra**

**Canara Bank**

### **Registered Office**

**208-215, "Star Plaza",**

**Phulchhab Chowk,**

**Rajkot - 360 001.**

## RAJATH FINANCE LIMITED

### NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held at 907, Star Plaza, Phulchhab Chowk, RAJKOT on Monday, the 29th September, 2003 at 5 p.m. to transact the following business.

### ORDINARY BUSINESS :

- (1) To receive, consider and adopt the audited Balance Sheet and Profit & Loss Account as at and for the year ended 31st March, 2003 and the Reports of the Directors & Auditors thereon.
- (2) To appoint a Director in place of Mr. Narendrakumar C. Dave who retires by rotation and being eligible offers himself for reappointment.
- (3) To appoint a Director in place of Mr. Parag I. Mody who retires by rotation and being eligible offers himself for reappointment.
- (4) To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS :

To consider and if thought fit to pass with or without modification the following resolution :

- (5) As Special Resolution :

"Resolved that in accordance to the provisions of section 269,309,311, and schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and Article 139 of the Articles of Association of the Company, and subject to the approval of the central Government, Mr. Hebri Mohandas Pai, be and is hereby appointed as Managing Director for a period of three years commencing from 1st May, 2003.

"Further Resolved that subject to approval of the Central Government under section 269 and section 198,309 and schedule XIII and any other applicable provision, if any, of the Companies Act 1956 and also Article 139 of the Article's of Association of the Company, Shri Hebri Mohandas Pai be paid the following remuneration for his services as Managing Director of the Company with effect from 1st May 2003,

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1. Salary Rs. 40000/- per month
2. Perquisites
  - a. Leave Travel Concession : for self, wife and dependent children once a year to and fro any place in India. Only actual fares shall be reimbursed and no hotel or other expenses would be payable.
  - b. Medical reimbursement : Expenses incurred for self and family subject to a ceiling of one month's salary per year or three month's salary in a block of three years.
  - c. Personal Accident and Medical Insurance.
  - d. Club Fees : Fees of clubs, subject to maximum of two clubs.
  - e. Car : Company Car with Maintenance.
  - f. Telephone : Free Telephone Facility at residence and Cellphone.
  - g. Gratuity at the rate not exceeding 15 days salary for each completed year of service since 1st June 1986, the date of first appointment, till the completion of his tenure by retirement, resignation or termination of the service.

"Resolved further where in any financial Year, during the currency of tenure of the said managing Director, the Company has no profits or its profits are inadequate, the company may pay Mr. Hebri Mohandas Pai, Managing Director, remuneration mentioned above not exceeding the limits specified under section II (1) of part II of Schedule XIII of the Companies Act 1956, including any statutory modifications, reenactments thereof for the time being in force.

"For the calculation of minimum remuneration the payment of gratuity as above shall not be included.

"Resolved further that the Board of Directors of the Company be and its hereby authorised to revise the remuneration or the terms and conditions of appointment of Mr. Hebri Mohandas Pai, Managing Director, as approved by the Central Government."

By Order of the Board of Directors

For and on behalf of

**RAJATH FINANCE LIMITED**

Place : **Rajkot**  
Date : **30th July, 2003**

**SUDHIR BHATT**  
COMPANY SECRETARY

## **RAJATH FINANCE LIMITED**

### **NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The Deed of proxy shall be received by the Company at least 48 hours before the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 25th September, 2003 to Monday the 29th September, 2003 (Both Days inclusive).
3. The members are requested to intimate the Company regarding any change of address at the registered Office of the Company.
4. Members are requested to bring their copy of the Annual Report along with them, to the Annual General Meeting.
5. Members are requested to send their queries, if any, ten days in advance of the meeting so that the information can be made available at the time of meeting.
6. Pursuant to Section 205 A of the Companies Act, 1956, unclaimed dividend upto financial year ended 31/03/1995 transferred to the General Revenue Account of the Central Government. All shareholders who have not encashed the Dividend for the period before that date can claim the same from the office of the Registrar of Companies, C.G.O. Complex, Opp. Rupal Park, Ankur Char Rasta, Naranpura, Ahmedabad. Pursuant to the amended provisions Dividend for the Financial year ended 31st March 1996 and thereafter, which remains unpaid and unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed the Dividend Warrants so far for the Financial Year ended 31st March 1996 and any subsequent financial year are requested to make there claim at the registered office of the Company. It may also be noted that once the unclaimed Dividend is transferred to the Government, as above, no claim shall lie in respect of such amount.

**18th ANNUAL REPORT****ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT**

Pursuant to Section 173 of the Companies Act 1956.

(6).

Since 1986 the Company is engaged in the business of Financing of Hire Purchase and Loans on Automobiles, Consumer Durables and Machinaries etc. and operating in the Region of Rajkot and nearby areas in Gujarat. This region is suffering from draught since three years and in addition to that there was devastating earthquake on 26th January 2001. Due to the above the demand for the assets on which finance was provided was reduced and the recovery of the finance granted was delayed and in addition to the above there was demand of Interest tax for past years from the Department of Income Tax which is disputed by the Company and pending with ITAT. Further the Company is facing severe competition in Financial services from the National Level NBFC's and Banks who are lending at much cheaper rates. Due to all the reasons the company suffered losses/inadequate profits in past years. In view of the difficulties referred above the company restricted its business activities. The company propose to restrict its activities in financial area and propose to diversify, to sustain and enhance profitability.

The tenure of Mr. Hebri Mohandas Pai, Managing Director expires on 30th April 2003. The Board of Directors at their meeting held on 24th April 2003 has reappointed him as managing Director for a further period of three years w.e.f. 1st May 2003 on a remuneration as mentioned in the resolution. The Managing Director is appointed at the same remuneration as paid to him till expiry of his term on 30th April 2003 and which considering the Industry, size of the Company and job profile is considered reasonable. Mr Hebri Mohandas Pai is of the age of 53 years and has overall rich experience of around 32 years in Banking and Finance industry. He is qualified as B.Sc., CAIIB. He is working in the Company as whole time Director w.e.f. 1st June 1986 and as Managing Director since 1st May 1994 and hence considered to be suitable for reappointment as Managing Director.

None of the Directors except Mr. Hebri Mohandas Pai is considered to be concerned or interested in passing of the same resolution. Mr. Hebri Mohandas Pai did not have any other pecuniary relationship with the company except remuneration received as managing Director and his Shareholding in the Company.

By Order of the Board of Directors

For and on behalf of

**RAJATH FINANCE LIMITED**

Place : **Rajkot**  
Date : **30th July, 2003**

**SUDHIR BHATT**  
COMPANY SECRETARY

# RAJATH FINANCE LIMITED

## DIRECTORS' REPORT

### Dear Shareholders

Your Directors have pleasure in presenting the Eighteenth Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2003.

### Financial Results :

(Rs. in Lacs)

	March 31, 2003	March 31, 2002
Total Income	125.23	201.98
Operating Expenditure	157.04	154.28
Profit (Loss) Before Non-Cash Charges	(31.81)	47.70
Depreciation & Non-Cash Charges	29.04	20.34
Tax	00.00	19.00
Deferred Tax	+10.37	+2.05
Net Profit (Loss)	(50.49)	10.41
Adj. of Previous Year	+0.32	0.28
Transfer to Reserves	0.00	2.03
Profit /(Loss) Carried Forward	(41.70)	8.46

### Dividend

In view of the losses during the year the Board of Directors regret to inform that they have not recommended any Dividend for the year.

### Performance Highlights

The performance of your Company during the year covering this report was not satisfactory. The total Hire Purchase and Lease Finance disbursement for the year was Rs. 178.31 lacs compared to Rs. 557.30 lacs previous year.

The Company has decided not to entertain fresh business in Hire purchase considering the imposition and increase of rate of Service tax, bad economic conditions and intense competition with National level NBFC's and Banks in in this region. The board of Directors decided to repay outside liabilities and hence repayed all Bank finance and surrendered the Cash Credit Facilities. The Company is also repaying all the Deposits accepted.

### Capital Adequacy

The Company has followed the guidelines issued by the Reserve Bank of India for recognition of Income, Asset Classification, Investment Accounting, Provisioning for non-performing assets. Based on the above a Capital Adequacy works out to 66 as on 31st March 2003 which is substantially higher than the 15 required by the guidelines issued by the Reserve Bank of India.

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### Fixed Deposits

Total Deposits with the company as on 31st March, 2003 stood at Rs. 164.54 lacs. There were 12 Overdue and Unclaimed Public Deposits of Rs. 7.40 lacs as on 31st March, 2003. All the overdue and unclaimed Deposits of Rs. 7.40 lacs have since been paid. Total Public Deposits as on 31st March, 2003 stood Rs. 137.76 Lacs. There are no overdue or unclaimed deposits except above. As the company is not entertaining fresh business it has decided to repay all maturing deposits as and when due. The Company has obtained approval from the RBI vide letter dt. 24/12/2002 for the premature withdrawal of deposits by the depositors at the contracted rate of interest.

### Corporate Governance

A separate report on Corporate Governance along with Auditors Certificate are annexed hereto as annexures A as part of this report.

### Management Discussion and Analysis

#### Industry Overview

The Finance Industry is passing through consolidation phase since last few years and some of the leading NBFCs are converted into banks and only few leading companies are survived. The cost of funds of large NBFCs and Banks are decreasing and so the finance rates reduced substantially. The Banks has entered into the traditional NBFC activities i.e. financing and refinancing on Commercial Vehicles, Two Wheelers, Consumer Durables.

#### Opportunities

Company is in operation since 1985 and has a good reputation in financing of used vehicles and consumer durables in the region and ready infrastructure. The Company can provide non fund based marketing services.

#### Company performance and Discussion on Financial performance

The performance of the Company during the year was not satisfactory.

Considering the multiplicity of taxes, bad economic conditions and intense competition with National level NBFC's and Banks in this region the Company has decided not to entertain fresh business in Hire purchase and reduced fund based exposure. The Board of Directors has decided to repay outside liabilities and reduced all liabilities substantially.

#### Risks and Concerns

The provisions of Securitisation and Reconstruction of Financial Assets and enforcement of Security Interest Act, 2002 and Recovery of Debts to Banks and Financial Institutions Act, 1993 be extended to NBFCs. The imposition of Multiplicity of Taxation on Financial Services should be reconsidered. The company may face Interest Tax Liability for past years which is already provided in the Books.



## RAJATH FINANCE LIMITED

### Outlook

Considering Intense competition with national level NBFCs and Banks, the Decreasing Interest rates and multiple Taxes and consequently the decreasing margins, the survival of traditional NBFCs is Difficult.

### Internal Control

Your company has adequate internal control systems commensurate with its size of operations.

### Material Development in Human Resources

The company has a limited employees strength and there are no material development in this front.

### Directors

Shri N. C. Dave and Shri P. I. Mody, Directors, are retiring by rotation and being eligible offer themselves for reappointment. The details of the directors are mentioned in the corporate governance report. The Board of Directors recommend their reappointment. The tenure of Mr. H. M. Pai, as Managing Director expired on 30th April 2003 and Board of Directors at their Meeting on 25th April, 2003 reappointed him as Managing Directors for a further period of Three years subject to the approval of members and Central Government.

### Auditors

M/s M. P. Sarda & Associates, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting. They have shown their willingness to continue as auditors of the Company. The Board of Directors recommend their appointment.

### Particulars of Employee

No employee was in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

### Foreign Exchange Earning & Outgo

The Company has no earnings or outgo of Foreign Exchange during the year.

### Directors Responsibility Statement

As stipulated in section 217 (2AA) of Companies Act 1956, Your Directors subscribe to the "Directors Responsibility Statement" and confirm as under :

- 1) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;

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- 3) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities ;
- 4) That the Directors had prepared the Annual Accounts on a going concern basis.

**Conservation of Energy, Technology Absorption**

The Company being service oriented the electricity expenses are nominal against total expenses, however the company took measures to control electricity expenses and reduced the expenses during the year. The details in Form 'A' of Energy Conservation and 'B' Technology absorption as per companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 under Section 217(1) (e) of the Companies Act, 1956 are not applicable on the Company.

**Appreciations**

The Directors wish to express their sincere appreciation to all the Staff Members for their contribution and thanks to our valued Clients, Bankers, Depositors and the Shareholders for their continued support.

Report



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For and on behalf of the Board

Place : Rajkot  
Date : 30th July, 2003

**H. M. Pai**                      **N. C. Dave**  
MANAGING DIRECTOR      DIRECTOR