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# SAKTHI FINANCE LIMITED

ANNUAL REPORT 1997

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# SAKTHI FINANCE LIMITED

Registered Office : 475, Dr. Nanjappa Road, Coimbatore - 641 018

## BOARD OF DIRECTORS

Dr. N. Mahalingam	Chairman
M. Manickam	Vice Chairman
K.R. Ramamani	
S.A. Murali Prasad	
K.N.V. Ramani	
A. Shanmugasundaram	
A.S. Unny	
V. Muthuswami	
M. Srinivaasan	
M. Balasubramaniam	Managing Director

## BANKERS

Karnataka Bank Ltd.  
The Karur Vysya Bank Ltd.  
Canara Bank  
The Lakshmi Vilas Bank Ltd.  
State Bank of Travancore  
Union Bank of India  
The Catholic Syrian Bank Ltd.  
Central Bank of India  
The South Indian Bank Ltd.  
Bank of India  
Bank of Madura Ltd.  
Vijaya Bank

## PRINCIPAL EXECUTIVES

M. Ramanathan	General Manager
V. Kumaragurunathan	General Manager
T. Sivasankaran	General Manager
S. Ramachandran	Dy. General Manager
N. Srinivasan	Dy. General Manager
S. Veluswamy	Company Secretary

## FINANCIAL INSTITUTIONS

The Industrial Credit and Investment Corporation of India Ltd.  
Industrial Development Bank of India  
Small Industries Development Bank of India  
Gujarat Industrial Investment Corpn. Ltd.  
Tamilnadu Industrial Investment Corpn. Ltd.

## AUDITORS

M/s. V.K.S. Aiyer and Coy.,  
Chartered Accountants,  
Coimbatore - 641 002.

## INTERNAL AUDITORS

M/s P.N. Raghavendra Rao & Co.,  
Chartered Accountants,  
Coimbatore - 641 009.

## CONTENTS

## PAGE

Notice to Shareholders	3
Directors' Report	4
Auditors' Report	6
Balance Sheet	8
Profit and Loss Account	9
Schedules to Accounts	10

**SAKTHI FINANCE LIMITED**
**SYNOPSIS OF BALANCE SHEETS**

(RS. IN LAKHS)

AS AT 31.3.1996	PARTICULARS	AS AT 31.3.1997
	<b>I. SOURCES OF FUNDS</b>	
992.13	PAID UP CAPITAL	992.13
2753.32	RESERVES AND SURPLUS	2793.88
3408.56	SECURED LOANS	3558.47
19799.61	UNSECURED LOANS	21877.97
26953.62	TOTAL	29222.45
	<b>II. APPLICATION OF FUNDS</b>	
4058.20	FIXED ASSETS	3881.50
2511.46	INVESTMENTS	2894.63
20332.74	NET CURRENT ASSETS	22401.64
51.22	MISCELLANEOUS EXPENDITURE	44.68
26953.62	TOTAL	29222.45

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Forty First Annual General Meeting of the members of the Company will be held at President Hall, 734, Avanashi Road, Coimbatore - 641 018 on Monday, 1st September, 1997 at 3.30 p.m. to transact the business noted below.

You are requested to make it convenient to attend the meeting.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31st March, 1997 and the audited Balance Sheet as at that date and the reports of the Board of Directors and Auditors.
2. To declare dividend on Equity Shares for the year ended 31st March 1997.
3. To appoint a director in the place of Sri. M. Manickam, who retires by rotation and is eligible for reappointment.
4. To appoint a director in the place of Sri. K.N.V. Ramani, who retires by rotation and is eligible for reappointment.
5. To appoint a director in the place of Sri. S.A. Muraliprasad, who retires by rotation and is eligible for reappointment.
6. To appoint auditors for the current year and to fix their remuneration. M/s. V.K.S. Aiyer and Coy, Chartered Accountants, Coimbatore, retire and are eligible for reappointment.

**NOTES**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 14th August, 1997 to 1st September, 1997, both days inclusive.
3. Equity Dividend, if declared, will be paid to those Equity Shareholders whose names appear in the Register of Members as on 1st September, 1997 or to their mandate holders.
4. Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed dividends up to the Equity Dividend for the financial year ended 31st March, 1993 to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Bank of Baroda Building, 5th Floor, Eastern Wing, 82, Bank Road, Coimbatore - 641 018 in the prescribed form which will be supplied by the Company on request.

Coimbatore,  
24th June, 1997.

By Order of the Board  
M. BALASUBRAMANIAM  
Managing Director

**SAKTHI FINANCE LIMITED****DIRECTORS' REPORT**

To the members,

Your directors have pleasure in presenting their Forty First Annual Report together with the audited financial accounts of the Company for the year ended 31st March, 1997.

**FINANCIAL RESULTS**

	(Rs. in Lakhs)	
	1996-97	1995-96
Profit before Depreciation and Taxes	1237.69	1266.64
Less : Depreciation	<u>798.53</u>	<u>730.81</u>
Profit after Depreciation	439.16	535.83
Add : Balance brought forward from previous year	<u>20.11</u>	<u>23.75</u>
Profit available for appropriation	<u>459.27</u>	<u>559.58</u>
<b>Appropriations :</b>		
Provision for Income Tax	56.66	—
Provision for Equity Dividend	248.03	183.65
Provision for tax on Proposed Dividend	24.80	—
Provision for Preference Dividend	—	50.00
Transfer to General Reserve - I	38.25	250.00
Transfer to General Reserve - II	3.28	55.82
Transfer to Statutory Reserve	76.51	—
Surplus carried over to Balance Sheet	<u>11.74</u>	<u>20.11</u>
	<u>459.27</u>	<u>559.58</u>

The performance of the Company as against the projections indicated in the Letter of Offer dated 15.9.1995 is furnished below :

	Projected	Actuals
	(Rs. in Lakhs)	
Total Income	8173	6536
Net Profit after Tax	1034	383
Earnings per Share (Rs.)	9.75	3.85

The projected income and profits could not be achieved due to general recession prevailed in some major industries, poor off-take of trucks and vehicles and higher cost of funds than envisaged.

**RESERVES AND SURPLUS**

A sum of Rs. 38.25 lakhs has been transferred to General Reserve - I and Rs. 3.28 lakhs to General Reserve - II. In compliance with section 45-IC (1) of Reserve Bank of India Act, 1934 a sum of Rs. 76.51 lakhs has been transferred to Statutory Reserve, representing 20% of the profits after tax. The total Reserves and Surplus now stands at Rs. 2793.88 lakhs as against Rs. 2753.32 lakhs as on 31st March, 1996.

**DIVIDEND**

Your directors are glad to recommend payment of dividend at 25% on 99,21,321 Equity Shares of Rs. 10/- each, which will absorb Rs. 248.03 lakhs. A sum of Rs. 24.80 lakhs has been provided for proposed tax on distributed profits.

**PRUDENTIAL NORMS FOR NON-BANKING FINANCE COMPANIES**

The Company has complied with the norms prescribed by Reserve Bank of India for Income Recognition, Asset Classification etc. and achieved a capital adequacy ratio of 14.23 % as on 31.3.97 which is well above the prescribed minimum of 8%. During the year under review, the Company obtained eligibility certificate from Reserve Bank of India for availing certain relaxations in deposit acceptance. This has enabled the Company to fix the interest rates on deposits depending upon the market conditions and mobilise deposits.

**ANNUAL REPORT 1997****REVIEW OF PERFORMANCE****Business**

The Company deployed Rs. 10647 lakhs in Hire Purchase business during the year 1996-97 as against Rs. 11453 lakhs in 1995-96. The Company deployed Rs. 593 lakhs in leasing business in 1996-97 as against Rs. 696 lakhs in last year.

**Deposits**

During the year under review, the Company mobilised fresh deposits to the extent of Rs. 6171 lakhs as against Rs. 5645 lakhs in 1995-96. The total deposits with the Company as on 31st March, 1997 stood at Rs. 21878 lakhs. As at the end of the financial year, 3441 deposits amounting to Rs. 372.88 lakhs were due for repayment but remained to be claimed or renewed. The Company intimated the depositors about the maturity and out of the said deposits, 1647 deposits amounting to Rs. 197.25 lakhs have since been repaid/renewed. Efforts are being taken to repay/renew the balance deposits also.

**FUTURE PROSPECTS**

The Company will continue to concentrate in its core area of business viz., Hire Purchase finance for commercial vehicles and cars, as in the past. We also expect that the transport sector will perform well as in the earlier years. The Company is also implementing a Business Process Re-engineering Exercise which will enhance the efficiency of operation. The cost of funds will be lower due to reduction in deposit interest rates and borrowing rates which will help the company to be more competitive and generate higher volumes.

**DIRECTORATE**

The following directors, retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

1. Sri. M. Manickam
2. Sri. K.N.V. Ramani
3. Sri. S.A. Muraliprasad

**AUDITORS**

M/s. V.K.S. Aiyer and Coy., Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. A certificate under Section 224 (1B) has been obtained from them.

**PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT, 1956.**

The particulars required to be given in terms of Section 217 (1)(e) of the Companies Act, 1956, regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are not applicable to your Company. The particulars as required under Section 217(2A) of the Companies Act, 1956 is annexed.(Page No. 22)

**ACKNOWLEDGEMENT**

Your Directors wish to place on record the valuable assistance, and co-operation extended by the shareholders, depositors, Commercial Banks, Financial Institutions and Government authorities. They also wish to appreciate the excellent services rendered by the employees of the Company.

We pray Goddess SAKTHI to continue to shower her blessings and to guide us in all our endeavours.

Coimbatore,  
24th June, 1997.

On behalf of the Board of Directors  
N. MAHALINGAM  
Chairman

## SAKTHI FINANCE LIMITED

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Sakthi Finance Limited as at 31st March 1997 and the Profit and Loss Account for the year ended on that date and report that :

- i) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date give the information required by the Companies Act, 1956 in the manner so required.
- ii) 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.
- iii) in our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
- iv) the above Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of accounts of the Company.

2. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we furnish below our statement on the matters specified in paragraphs 4 and 5 of the said Order :

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As informed to us, fixed assets held for own use have been physically verified by the management during the year and no serious discrepancies have been noticed on such verification; fixed assets delivered in the business of leasing were verified under a programme for verification through inspection, except for leased assets under secondary period of lease for which no defined programme for verification was in force; discrepancies noted have been appropriately dealt with in the accounts.
- ii) None of the fixed assets have been revalued during the year.
- iii) The Company does not hold any stores, finished goods, spare parts or raw materials, except stock of stationery which were physically verified by the management and no serious discrepancy was noticed; the valuation was made on normally accepted accounting principles and is on the same basis as in the preceding year.
- iv) The Company has not taken any loans from companies, firms and other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, except fixed deposits, the rate of interest and other terms and conditions of such deposits are *prima facie* not prejudicial to the interest of the Company. The Company has not taken any loans from companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- v)
  - a) In respect of loans or advances in the nature of loans given by the Company, there are parties from whom the repayment of principal and payment of interest, are overdue. In our opinion, reasonable steps have been taken by the Company for recovery of the principal and interest. The Company has not given any loans or advances in the nature of loans to companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
  - b) In respect of hire-money and Lease rental due under Hire Purchase / Lease Agreements entered into by the Company in the ordinary course of business, where instalments are overdue, we are of the opinion that reasonable steps have been taken by the Company for recovery of the same.
- vi) In our opinion and in accordance with the 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, for purchase of components, plant and machinery, equipments and other assets.