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**S A K T H I
F I N A N C E
L I M I T E D**

ANNUAL REPORT 1999



SAKTHI FINANCE LIMITED

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

BOARD OF DIRECTORS

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

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 INSTITUTION

ICICI Limited

AUDITORS

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

INTERNAL AUDITORS

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

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SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members,

Your directors have pleasure in presenting their Forty Third Annual Report together with the audited financial accounts of the Company for the financial year ended 30th September, 1999.

FINANCIAL RESULTS

	1998-99 (18 months)	1997-98 (12 months)
	(Rs. in Lakhs)	
Profit before prior period and extraordinary charges	118.81	109.84
Add : Transfer from General Reserve	573.98	194.33
Less : Prior period and extraordinary charges	<u>573.98</u>	<u>194.33</u>
Profit before Tax	118.81	109.84
Add : Surplus brought forward from last year	—	11.74
Investment Allowance Reserve withdrawn	14.00	—
Transfer from General Reserve	—	103.69
Less : Income tax for current year	—	12.70
Income tax for previous year	<u>66.64</u>	<u>193.00</u>
Profit after Tax	<u>66.17</u>	<u>19.57</u>
APPROPRIATIONS		
Statutory Reserve	10.43	19.57
Surplus carried to Balance Sheet	55.74	—
TOTAL	<u>66.17</u>	<u>19.57</u>

EXTENSION OF FINANCIAL YEAR

To accommodate the infusion of equity, the financial year of the company was extended to 18 months to end on 30.9.1999, with the approval of authorities concerned.

BUSINESS

In the first half of the financial year, due to economic recession, the business targets could not be achieved as anticipated. Therefore during the financial year under review, the total deployment in hire purchase business aggregated to Rs. 72.17 crores as against Rs. 75.61 crores in 1997-98. The collection trends were encouraging.

In the current year, there are signs of economic recovery and the sale of commercial vehicles have recorded increase, as compared to previous year. Your directors are optimistic of business prospects in the coming years.

DEPOSITS

The total deposits with the company as at 30.9.99 stood at Rs. 126.34 crores as against Rs. 208.28 crores as at 31.3.98.

At the end of the financial year, 3344 deposits amounting to Rs. 410.37 lakhs were due for repayment but remained to be claimed or renewed. The company repeatedly intimated the depositors about the maturity and out of the said deposits, 1283 deposits amounting to Rs. 178.16 lakhs have since been claimed and repaid/ renewed as per their instructions.

ANNUAL REPORT 1999**DIVIDEND**

Due to lower business levels, the net profit after taxation was at Rs. 66.17 lakhs only. Therefore as a consolidation measure, the Board of Directors have not recommended Dividend on equity share capital for the financial year 1998-99.

RESERVES AND SURPLUS

The Company has transferred a sum of Rs. 10.43 lakhs to Statutory Reserves, in compliance of Reserve Bank of India Act. The total Reserves and Surplus now stands at Rs. 1981.88 lakhs as against Rs. 2503.69 lakhs as at 31.3.1998.

DIRECTORATE

Sri. A.S. Unny, who was in our Board from 2.12.1990, resigned from the Board on 1.09.1999 due to health reasons. The Board of Directors wish to place on record the valuable contributions made by him during his tenure as Director.

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

1. Sri. M. Srinivaasan
2. Sri. M. Manickam

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 Company has no employees drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act, 1956.

LISTING

The shares of the Company are listed in Coimbatore, Chennai, Mumbai, Bangalore and Delhi Stock Exchanges. The listing fees have been paid.

Y2K COMPLIANCE

Adequate measures have been taken to be Y2K compliant well in time.

ACKNOWLEDGEMENT

Your Directors wish to place on record the valuable assistance and co-operation extended by the shareholders, Commercial Banks, Financial Institutions and Government authorities. The Board of Directors wish to convey their sincere thanks to the Depositors of the Company for their continued patronage. They also wish to appreciate the excellent services rendered by the employees of the Company.

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

Coimbatore
18th January, 2000

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 30th September 1999 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 30th September 1999 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 purposes of our audit.
- iii) 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 the books.
- iv) in our opinion, the Balance Sheet and the Profit and Loss Account are in compliance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable.
- v) the Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account of the Company.

2. As required by the Manufacturing and Other Companies (Auditor's 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 or 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.
- 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.
 - b) In respect of hire-money and Lease rentals 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.

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- vii) There were purchases of equipments, vehicles, spare parts, consumables and delivery of vehicles/equipments under Hire Purchase/Lease agreements for values aggregating to Rs. 50,000/- or more during the year, in respect of each party from/to firms, companies or other parties, made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and in our opinion the price paid or terms adopted for such items are reasonable having regard to the market prices for such goods/materials and as compared to the prices or terms of delivery of similar items supplied by or delivered to other parties.
- viii) The Company has no unserviceable or damaged stores and raw materials. Hence determining the value of the same does not arise.
- ix) The Company has accepted deposits from the public and has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58-A of the Companies Act, 1956 and the Rules framed thereunder, wherever applicable.
- x) The Company does not have any by-product or scrap and hence the maintenance of records for the same does not arise.
- xi) In our opinion, the Company has an internal audit system which is commensurate with the size and nature of the business of the Company.
- xii) The Central Government has not prescribed the maintenance of any cost records under Section 209(1)(d) of the Companies Act, 1956.
- xiii) According to the books of the Company, the Provident Fund dues and Employees' State Insurance dues have been regularly deposited with the appropriate authorities.
- xiv) There are no undisputed amounts payable in respect of income-tax, sales-tax and wealth-tax which are outstanding for more than six months from the date they become payable.
- xv) In our opinion and as explained to us, none of the personal expenses have been charged to the revenue account of the Company, other than those paid under contractual obligations or in accordance with generally accepted business practice.
- xvi) The provisions of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.
- xvii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
- xviii) The Company is maintaining proper records of the transactions and contracts for dealing or trading in shares, securities, debentures and other investments; timely entries have been made therein and the same are held by the Company in its own name.

3. Subject to our above remarks under paragraph 2, we further report that the Balance Sheet and Profit and Loss Account give a true and fair view:

- i) in the case of Balance Sheet, of the state of affairs of the Company as at 30th September 1999, and
- ii) in the case of Profit and Loss Account, of the profit earned by the Company for the year ended on that date.

Coimbatore
18th January, 2000

For V.K.S. AIYER AND COY.,
Chartered Accountants
V.S. SRINIVASAN
Partner

SAKTHI FINANCE LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER, 1999

	Schedule	As at 30.9.1999	As at 31.3.1998
(Rs. in lakhs)			
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital and Share Application Money	1	1492.13	992.13
(b) Reserves and Surplus	2	1981.88	2503.69
2. LOAN FUNDS			
(a) Secured Loans	3	5836.73	3755.34
(b) Unsecured Loans	4	12634.54	20828.34
TOTAL		21945.28	28079.50
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
(a) Gross Block		5166.61	6697.60
(b) Less : Depreciation		2894.68	3254.20
(c) Net book value		2271.93	3443.40
(d) Add : Balance in Lease Adjustment Account		225.17	147.91
Net Block		2497.10	3591.31
2. INVESTMENTS	6	3187.95	3501.49
3. (i) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Stock-on-Hire	7	13322.03	20980.02
(b) Cash and Bank Balances	8	563.44	1107.78
(c) Other Current Assets	9	593.14	817.27
(d) Loans and Advances	10	4740.72	2800.42
SUB TOTAL 3(i)		19219.33	25705.49
(ii) LESS : CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	11	2470.48	4022.20
(b) Provisions	12	516.92	734.71
SUB TOTAL 3(ii)		2987.40	4756.91
NET CURRENT ASSETS 3(i) - 3(ii)		16231.93	20948.58
4. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	13	28.30	38.12
TOTAL		21945.28	28079.50
Notes on the accounts	21		

Subject to our Report of even date.

For and on behalf of the Board

For V.K.S. AIYER AND COY.,
Chartered Accountants.
V.S. Srinivasan
Partner
Auditors

N. MAHALINGAM
Chairman

M. BALASUBRAMANIAM
Managing Director

For P.N. RAGHAVENDRA RAO & CO.,
Chartered Accountants.
P.R. Vittel
Partner
Internal Auditors
Coimbatore, 18th January, 2000

S. VELUSWAMY
Company Secretary