



**SAKTHI
FINANCE
LIMITED**
ANNUAL REPORT 2001



SAKTHI FINANCE LIMITED

Registered Office : 90 (Old No. 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	
A. Shanmugasundaram	
V. Muthuswami	
M. Srinivaasan	
Dr. A. Selvakumar	

BANKERS

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

PRINCIPAL EXECUTIVES

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

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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Fourth Annual General Meeting of the members of the Company will be held at President Hall, 734, Avanashi Road, Coimbatore - 641 018 on Saturday, 8th September 2001 at 4.00 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 financial year ended 31st March 2001 and the audited Balance Sheet as at that date and the reports of the Board of Directors and Auditors.
2. To appoint a director in the place of Sri S.A. Murali Prasad who retires by rotation and is eligible for reappointment.
3. To appoint a director in the place of Sri V Muthuswami who retires by rotation and is eligible for reappointment.
4. To appoint auditors for the current year and to fix their remuneration. A notice has been received from a shareholder of the Company proposing the name of M/s. P.N. Raghavendra Rao & Co., Chartered Accountants, as Auditors for the financial year 2001 - 02, to hold office till the conclusion of the next Annual General Meeting in the place of the retiring Auditors on a remuneration to be fixed by the Board of Directors.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT Dr A Selvakumar, who was co-opted as an Additional Director of the Company on the Board as per Article 68 of the Articles of Association of the Company and who holds office till the conclusion of the ensuing Annual General Meeting be and is hereby appointed as a Director of the Company.

6. To consider and if thought fit, to pass with or without modification, the following resolutions as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII to the Companies Act 1956 and other applicable provisions, if any, of the Companies Act 1956, approval of the Company be and is hereby accorded for the appointment of Sri M Balasubramaniam, as Managing Director of the Company for a period of five years with effect from 29th September 2000.

RESOLVED FURTHER THAT in consideration of his qualification, experience and services rendered to the Company as Managing Director and subject to the overall limits for payment of managerial remuneration laid down under section 198 read with Schedule XIII to the Companies Act 1956, Sri M Balasubramaniam, be paid the following remuneration and perquisites:

- | | |
|---|-------------------------------------|
| 1. Salary | : Rs. 40,000 per month |
| 2. Perquisites
(as allowed by the board) | : Not exceeding Rs.30,000 per month |

In addition to the above perquisites, Sri M Balasubramaniam, Managing Director shall also be entitled to the following perquisites, which shall not be included in the computation of ceiling on perquisites referred to above:

- a) Contribution to Provident Fund to the extent not taxable under the IncomeTax Act

- b) Gratuity at the rate of half a month's salary for each completed year of service.
 - c) Encashment of leave at the end of tenure as per the Rules of the Company
3. Commission : 1% Commission on the net profits of the Company, subject to the maximum ceiling specified in Section I of Part II of Schedule XIII to the Companies Act 1956.

RESOLVED FURTHER THAT wherein in any financial year, during the currency of tenure of the Managing Director, the Company has no profits or profits are inadequate, the above salary and perquisites may be paid as minimum remuneration.

7. To consider and if thought fit, to pass with or without modification, the following resolutions as Special Resolutions.

RESOLVED THAT pursuant to section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, Guidelines on Preferential Issue of shares issued by the Securities and Exchange Board of India (SEBI), and other applicable Regulations/Guidelines, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors, consent of the Company be and is hereby accorded to the Board to offer, issue and allot to ABT Limited 76,50,000 Equity Shares of Rs.10 each for cash at par on preferential allotment basis and that the Board may finalize all matters incidental thereto as it may in their absolute discretion think fit, in accordance with all applicable laws, rules and regulations for the time being in force in that behalf.

RESOLVED FURTHER THAT the "Relevant Date" in relation to the shares for the purpose of determining the issue price under SEBI Guidelines for Preferential issue shall be 8th August, 2001 being the date 30 days prior to the date of passing this Resolution.

RESOLVED FURTHER THAT the equity shares shall rank *pari passu* with the existing equity shares of the company except that the shares allotted during the financial year shall be entitled to the dividend, if any, declared for that Financial Year on a *pro rata* basis from the date of allotment of shares and on the amount paid up for the time being thereon.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to agree, make and accept all such condition(s), modification(s) and alteration(s) stipulated by any relevant authorities while according approvals or consents to the issue as may be considered necessary, proper or expedient to effect such modification(s) and to resolve and settle all questions, difficulties or doubts that may arise in regard to such issue and allotment and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the company or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.

RESOLVED THAT pursuant to section 31 of the Companies Act 1956, the Articles of Association of the Company be amended by inserting the following as Article 48A after the Article 48:

48A. Notwithstanding anything contained in these Articles, as and when the Company gets its shares or other securities admitted as an eligible security in the Depository System in accordance with the provisions of the Depositories Act 1996, the prevailing Rules, Regulations and Bye laws of the Depository and other applicable laws, if any, the said shares and securities of the Company may be held in dematerialised fungible form and it shall be governed by the provisions of Depositories Act 1996 as amended from time to time or any rules framed thereunder.

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9. The consider and if thought fit, to pass without modification, the following Resolutions as Special Resolutions.

RESOLVED THAT pursuant to the provisions of the Companies Act, 1956 and of the Listing Agreement, the sanction / approval of the Company be and is hereby accorded to the Board of Directors for the issue of Secured Redeemable Non-Convertible Debentures upto an amount of Rs. 200 crores and that such debentures may be offered, issued and allotted to any person or persons, companies or banks whether or not those allottees are existing shareholders/debentureholders of the Company.

RESOLVED FURTHER THAT the consent / approval of the Company be and is hereby accorded to the Board of Directors to finalise the terms and conditions of issue of the Secured Redeemable Non-convertible debentures and the security to be created and to agree to the terms and conditions of the subscription agreement, Trustee agreement and Trust Deed to be entered into by the Company and execute necessary agreements and documents and to do all such acts and things as may be necessary to give effect to the above resolution.

10. The consider and if thought fit, to pass without modification, the following Resolution as an Ordinary Resolution.

RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors under Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and / or charging all or any of the movable and immovable properties of the Company both present and future, to or in favour of Subscribers / Trustees of debenture holders to secure the redeemable non-convertible debentures upto an amount of Rs. 200 crores.

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 ATLEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relevant Explanatory Statement pursuant to section 173 of the Companies Act 1956 in respect of the Special Business under Items 5 to 10 is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 1st September, 2001 to Saturday, 8th September 2001, both days inclusive.
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 1994 to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrant for the said period are requested to claim the amount from the Registrar of Companies, Stock Exchange Building, Second Floor, 683 - 686, Trichy Road, Singanallur, Coimbatore - 641 005.

Pursuant to section 205C of the Companies Act 1956, the unpaid dividend for the years ended 31st March 1995, 1996 and 1997 which remain unclaimed for a period of 7 years from the date of transfer to the unpaid dividend account will be transferred to the Investor Education and Protection Fund.

Shareholders are informed that no claims shall lie against the fund or the Company in respect of individual amounts which were unclaimed or unpaid for a period of 7 years from the dates that they first become due for payment and no payment shall be made in respect of each such claim.

Coimbatore
8th August 2001

By Order of the Board
S. VELUSWAMY
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

ITEM NO. 5

Dr A Selvakumar was appointed as an Additional Director of the Company as per Article 68 of the Articles of Association of the Company. Dr A Selvakumar holds a Doctorate in Engineering from Canada. He was working as Project Incharge at Naval Engineering Test Establishment at Canada.

He holds Office till the conclusion of the ensuing Annual General Meeting and a resolution to appoint him as a Director of the Company is proposed under Item No 5 of the Agenda.

The Board of Directors recommend the resolution for the approval of shareholders.

A Notice together with the required deposit has been received from a member of the Company proposing him as a Director of the Company. Dr A Selvakumar has given his consent to act as a Director, if appointed.

Except Dr A Selvakumar none of the other Directors is, in any way concerned or interested, in the resolution.

ITEM NO. 6

Sri M Balasubramaniam was appointed as Managing Director of the Company on 15th September 1995. His term of office ended on 28th September 2000. Considering his contribution to the growth of the Company during his period of office, the Board of Directors have reappointed him as Managing Director for a further period of 5 years with effect from 29th September 2000 on the terms and conditions and remuneration set out in the resolution which is placed before the shareholders for their approval. An abstract of the terms of his appointment was already circulated amongst the shareholders of the Company as required by section 302 of the Companies Act, 1956 vide Notice dated 28th September 2000.

Sri M Balasubramaniam may be deemed to be concerned or interested in the above resolutions as it relates to his appointment and remuneration. Dr N Mahalingam, Chairman, Sri M Manickam, Vice Chairman and Sri M Srinivasan Director are interested in the appointment of Sri M Balasubramaniam as relatives.

ITEM NO. 7

To increase the networth and to meet the working capital requirements, the Board of Directors have decided to issue 76,50,000 Equity Shares of Rs 10 each to ABT Ltd, a Company incorporated under the Companies Act 1956 and having its Registered Office at Kalingarayan Street, Ramnagar, Coimbatore - 641 018 on preferential allotment basis. ABT Ltd has indicated its intention to subscribe to this issue of shares.

Section 81 of the Companies Act 1956 provides, *inter alia*, that whenever it is proposed to issue further shares, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said section, unless shareholders decide otherwise in the general meeting.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of section 81 (1A) and other applicable provisions of the Companies Act 1956, SEBI Guidelines and in terms of the provisions of the Listing Agreements to issue and allot equity shares as stated in the Special Resolutions.

The equity shares of the face value of Rs. 10 each will be issued and allotted at par, which is higher than the price prescribed under SEBI Guidelines.

The disclosures which are required to be given in the notice of the General Meeting (called for the purpose of consideration of the preferential allotment) in accordance with Regulation 3(1)(c)(ii) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997 are furnished below.

I. Allottee Details

a. Name of the Allottees(s) and its relation, if any, with the existing promoters	ABT Ltd A promoter managed Company
In case, the allottee(s) is a Company identify, its promoters or persons in control over the company and the group they belong to	Dr N Mahalingam Sri M Manickam Sri M Balasubramaniam Sri M Srinivasan Sakthi Group

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II. Acquisition Details

a.	No and % of shares proposed to be allotted pursuant to special resolution passed under section 81(1A) - preferential allotment	76,50,000 equity shares of Rs. 10 each 43.54% (on expanded capital)	
b.	No and % of shares proposed to be allotted to each of the allottees mentioned at (I) above	76,50,000 equity shares of Rs. 10 each 43.54% (on expanded capital)	
c.	1) Price at which allotment is proposed	The price of the equity shares will be Rs. 10 per equity share (at par), which is higher than the price prescribed under SEBI Guidelines	
	2) Terms of payment	Rs 10 per share payable on application	
d.	Purpose and reason of the said allotment	To increase the networth and to augment the working capital requirements	
e.	Consequential changes, if any, in the Board of Directors	There will be no change in the Board of Directors	
f.	Consequential changes, if any, in the shareholding pattern of the target company	Pre allotment in terms of shares No and %	Post allotment in terms of shares No and %
1.	Promoter Group		
a.	Acquirer - ABT Ltd	10,77,400 (10.86%)	87,27,400 (49.67%)
b.	Others	35,95,716 (36.24%)	35,95,716 (20.46%)
c.	Total of promoter Group	46,73,116 (47.10%)	1,23,23,116 (70.13%)
2.	Acquirer(s)	Nil	Nil
3.	MFs / FIIs / FIs	150 (0.002%)	150 (0.001%)
4.	Public	52,48,055 (52.90%)	52,48,055 (29.87%)
	Total Paid up capital of target Company	99,21,321 (100%)	1,75,71,321 (100%)
g.	Consequential changes, if any, in voting rights	The voting rights will change in tandem with the shareholding pattern	
		Pre allotment in terms of shares No and %	Post allotment in terms of shares No and %
1.	Promoter Group		
a.	Acquirer - ABT Ltd	10,77,400 (10.86%)	87,27,400 (49.67%)
b.	Others	35,95,716 (36.24%)	35,95,716 (20.46%)
c.	Total of promoter Group	46,73,116 (47.10%)	1,23,23,116 (70.13%)
2.	Acquirer(s)	Nil	Nil
3.	MFs / FIIs / FIs	150 (0.002%)	150 (0.001%)
4.	Public	52,48,055 (52.90%)	52,48,055 (29.87%)
	Total Paid up capital of target Company	99,21,321 (100%)	1,75,71,321 (100%)
h.	Whether the said allotment would result in change control over the Company	The allotment would not result in change in control over the Company	

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The allotment of Equity Shares is proposed to be completed by 30th November 2001.

Except ABT Ltd no other promoters / directors / key management persons would be subscribing to the preferential issue authorized by this resolution.

Auditors' certificate in accordance with the SEBI Guidelines for Preferential issues will be available for inspection 7 days prior to the date of the Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

The Board of Directors recommend the passing of these Special Resolutions.

Dr N Mahalingam, Chairman, Sri M Manickam, Vice Chairman, Sri M Balasubramaniam, Managing Director and Sri M Srinivaasan, Director of the Company are concerned or interested in these resolutions as they are also Directors of ABT Ltd. None of the other Directors have any concern or interest in the resolutions.

ITEM NO. 8

With the introduction of Depositories Act 1996 and the Depository System, some of the provisions of the Companies Act 1956 relating to issue, holding, transfer, transmission of shares and other securities have been amended to facilitate holding of securities in electronic form. In tune with this change, it is proposed to amend the Articles of Association of the Company as set out in Item No. 8 in the Notice by passing Special Resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed amendment is available for inspection of the Members of the Company at its Registered Office on any working day during business hours.

None of the Directors is concerned or interested in the said resolution.

ITEM NO. 9

At the Annual General Meeting held on 26th September, 1998, the shareholders approved issue of Secured Redeemable Non-convertible Debentures on private placement basis for Rs. 100 crores. Out of this, the Company has already issued Secured Redeemable Non-convertible Debentures for Rs. 74.25 crores. It is proposed to further issue Secured Redeemable Non-Convertible Debentures on private placement basis. In terms of clause 23(a) of the Listing Agreement, all future issues of Securities should be offered to existing shareholders on *pro rata* basis, unless resolution is passed otherwise in the General Meeting. The special resolutions are placed before the shareholders for their approval as per Item No. 9.

None of the Directors is concerned or interested in the said resolution.

ITEM NO. 10

In order to secure the Non-convertible debentures, the Company has to pledge / mortgage its movable / immovable properties of the Company in favour of trustees for the debentureholders. This requires the approval of the shareholders under Section 293 (1)(a) of the Companies Act, 1956. The resolution is placed before the shareholders for their approval as per Item No. 10.

None of the Directors is concerned or interested in the said resolution.

Coimbatore
8th August 2001

By Order of the Board
S. VELUSWAMY
Company Secretary

SAKTHI FINANCE LIMITED

DIRECTOR'S REPORT

To the Members

Your Directors have pleasure in presenting their Forty Fourth Annual Report together with the audited financial accounts of the Company for the financial year ended 31st March 2001.

FINANCIAL RESULTS

	1999 - 2001 (18 Months) (Rs in Lakhs)	1998 - 99
Profit before tax	94.61	118.81
Less : Income tax	16.45	66.64
Profit after tax	78.16	52.17
Add : Investment Allowance Reserve withdrawn	—	14.00
Add : Surplus brought forward from last year	55.74	—
Profit available for appropriations	<u>133.90</u>	<u>66.17</u>
APPROPRIATIONS		
Statutory Reserve	15.65	10.43
Surplus carried to Balance Sheet	118.25	55.74
TOTAL	<u>133.90</u>	<u>66.17</u>

EXTENSION OF FINANCIAL YEAR

To comply with the uniform accounting year, the financial year was extended to 18 months to close on 31st March 2001 with the approval of appropriate authorities.

BUSINESS

During the financial year under review, the economy witnessed slowdown in various sectors. In spite of this, the total deployment in hire purchase business was maintained at Rs. 69.25 crores as against Rs. 72.17 crores in 1998 - 99. The collection trends were encouraging. Even though the competition is severe in lending, the Board of Directors are optimistic of better business prospects in coming years.

DEPOSITS

The total deposits with the company as at 31st March 2001 stood at Rs. 115.38 crores as against Rs. 126.34 crores as at 30th September 1999.

At the end of the financial year, 3063 deposits amounting to Rs. 390.87 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, 1036 deposits amounting to Rs. 154.48 lakhs have since been claimed and repaid / renewed as per their instructions.

DIVIDENDS

Due to the lower business levels, the net profit after taxation was at Rs. 78.16 lakhs only. Therefore the Directors are unable to recommend dividend on equity share capital for the financial year 1999 - 2001.

DIRECTORATE

Sri K N V Ramani, who had been on our Board since 30th June 1988, resigned from the Board on 7th July 2000 due to other preoccupations. The Board of Directors wish to place on record the valuable contributions made by him during his tenure as Director.

The term of office of Sri M Balasubramaniam as Managing Director ended on 28th September 2000. The resolutions for reappointing him for a further period of five years from 29th September 2000 is placed before the shareholders for approval.