



Report

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**SAKTHI
FINANCE
LIMITED**

ANNUAL REPORT 2002



SAKTHI FINANCE LIMITED

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

N. Srinivasan *Vice President*
 T. Silvasankaran *General Manager*
 S. Anand *General Manager*

AUDITORS

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

SECRETARY

S. Veluswamy

REGISTERED OFFICE

90, Dr. Nanjappa Road
 Coimbatore - 641 018
 Phone : 231471 - 74
 Fax : 0422 - 231915

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Forty Fifth Annual General Meeting of the members of the Company will be held at President Hall, 734, Avanashi Road, Coimbatore - 641 018 on Saturday, 21st September 2002 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 financial year ended 31st March 2002 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 place of Sri A Shanmugasundaram who retires by rotation and is eligible for reappointment.
3. To appoint a director in place of Sri M Manickam who retires by rotation and is eligible for reappointment.
4. To appoint auditors for the current year and to fix their remuneration. M/s P N Raghavendra Rao & Co, 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 Thursday, 12th September, 2002 to Saturday, 21st September, 2002, both days inclusive.
3. The shares of the Company have been dematerialized since October 2001.

Members who are holding share certificates in physical form may dematerialize their shares by approaching any of the Depository Participant registered with SEBI of their choice.

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. Members who have not encashed the dividend warrants 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.

The unclaimed dividend for the year ended 31st March 1995 is due to be transferred to the Investors' Education and Protection Fund during November 2002. Members who have not encashed the warrants for the said year are requested to claim the above from the Company immediately by surrendering the warrants.

Members are informed that no claims shall lie against the fund or the Company in respect of individual amounts which remain 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.

28th June 2002
Coimbatore

By Order of the Board
M BALASUBRAMANIAM
Managing Director

ANNUAL REPORT 2002**INFORMATION ON DIRECTORS RETIRING BY ROTATION SEEKING REAPPOINTMENT AT THIS ANNUAL GENERAL MEETING PURSUANT TO THE LISTING AGREEMENT**

Name	Sri A Shanmugasundaram	Sri M Manickam
Date of Birth and Age	16.9.1936 - 65 years	24.3.1956 - 46 years
Appointed on	19th September 1979	12th December 1991
Qualifications	Intermediate	M.Sc. (Statistics), MBA (Michigan State University, USA)
Expertise in specific functional areas	He has got rich and varied experience in engineering, foundry, transport, retreading and consumer durable industries	He has got rich experience in Sugar, Soya and Foundry industry. As Vice Chairman and Managing Director of Sakthi Sugars Ltd he has been involved in the day to day operations of the Company since 1983
Directorships held in other companies	Anamallais Engg. P. Ltd ARC Retreading Co P Ltd Anamallais Foundry P Ltd Nachimuthu Industrial Assn. Sakthi Coffee Gardens P Ltd The Anamallais Retreading Co P Ltd	Sakthi Sugars Ltd Sakthi Auto Component Ltd Sakthi Soft Drinks Ltd ABT Ltd ABT Industries Ltd ABT Infosystems P Ltd Chennai Bottling Company Ltd Kovai Medical Centre and Hosp. Ltd Nachimuthu Industrial Assn. Sakthi Management Services (CBE) Ltd Sakthi Properties (CBE) Ltd Sakthi Refinery and Protein Ltd Sri Bhagavathi Textiles Ltd Sri Chamundeswari Sugars Ltd Sri Sakthi Textiles Ltd Turbotech Precision and Engg P Ltd
Membership / Chairmanship of committees across public companies	Audit Committee & Asset Liability Management Committee : Sakthi Finance Ltd	Investors' Grievance Committee: Sakthi Sugars Ltd Asset Liability Management Committee : Sakthi Finance Ltd

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SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Forty Fifth Annual Report together with the audited accounts of the Company for the financial year ended 31st March 2002.

FINANCIAL RESULTS

	2001-2002 (12 Months)	1999-2001 (18 Months)
	(Rs lakhs)	
Profit before Depreciation and Tax	259.62	657.61
Less: Depreciation	226.46	563.00
Less: Provision for tax	2.60	16.45
Profit after Depreciation and tax	30.56	78.16
Add: Surplus brought forward from last year	118.27	55.76
Add: Deferred Tax amount credit	84.67	—
Profit available for appropriations	233.50	133.92
APPROPRIATIONS		
Statutory Reserve	6.15	15.65
Surplus carried to Balance Sheet	227.35	118.27
	233.50	133.92

DIVIDEND

Due to the lower business levels, the net profit after taxation was at Rs. 30.56 lakhs only. Therefore the directors are unable to recommend dividend on equity share capital for the financial year 2001 - 02.

BUSINESS

During the financial year under review, the Company deployed Rs 55.62 crores in hire purchase finance business. This deployment averages out to Rs.4.63 crores per month as against the average monthly deployment of Rs.3.84 crores during the previous financial year. The Company continues to focus on commercial vehicle financing. The Board of Directors are optimistic of better business prospects in coming years.

DEPOSITS

The total deposits with the company as at 31st March 2002 stood at Rs 105.46 crores as against Rs.115.38 crores as at 31st March 2001.

At the end of the financial year, 3168 deposits amounting to Rs.496.38 lakhs were due for repayment but remained to be claimed or renewed. The Company intimated the depositors repeatedly about the maturity and out of the said deposits, 1219 deposits amounting to Rs.248.92 lakhs have since been claimed and repaid / renewed as per their instructions.

DIRECTORATE

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

Sri A Shanmugasundaram

Sri M Manickam

AUDIT COMMITTEE

Pursuant to the requirement of Section 292A of the Companies Act 1956, the Board of Directors of the Company have constituted an Audit Committee consisting of the following Directors:

1. Sri A Shanmugasundaram
2. Sri V Muthuswami
3. Dr A Selvakumar

SUBSIDIARY COMPANY

As required under section 212 of the Companies Act 1956, the Audited statement of accounts for the year ended 31st March 2002 of Sakthi Properties (Coimbatore) Ltd, a wholly owned subsidiary, together with the Reports of the Directors and Auditors and also the statement under the said section are attached.

AUDITORS

M/s P N Raghavendra Rao & Co, 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 employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

ANNUAL REPORT 2002**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of the provisions of Section 217(2AA) of the Companies Act 1956, your directors confirm that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards had been followed;
- b) 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 a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the company for that period;
- c) 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 and;
- d) the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

A Report on Corporate Governance forms part of this Annual Report. A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under the listing agreement is attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the listing agreement, a Management Discussion and Analysis Report forms part of this report.

LISTING

The shares of the Company are listed in Coimbatore, Chennai, Mumbai, Bangalore and New Delhi Stock Exchanges. The listing fee has been paid to all the Stock Exchanges.

ACKNOWLEDGEMENT

Your directors wish to place on record the valuable assistance and co-operation extended by the members, Commercial Banks 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.

On behalf of the Board of Directors

28th June 2002
Coimbatore

N MAHALINGAM
Chairman

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SAKTHI FINANCE LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

The NBFC Industry is represented on the one hand by large institutions and banks - both foreign and Indian on a national level. These institutions practice universal banking solutions and provide a variety of services in both fund based and non-fund based activities. On the other hand, NBFC Industry is also represented by small and Medium Companies at regional and local levels. These Companies concentrate on financing Road Transport, Infrastructural, Automobile and Consumer durable sectors.

Today, financing activity to these Industries by NBFC's act as a catalyst for their growth. The compliance of prudent regulation and regulatory requirements over the period has led to investor protection and overall improved environment within the Industry.

OPPORTUNITIES, THREATS AND BUSINESS OUTLOOK

The infrastructure segment and road transport segment have good growth opportunities. Over the last decade, the NBFC industry has grown along with the growth of these industries. The industry however faces very stiff competition from banks. The lending rates have been coming down over the past few years, however the interest rates on retail resources have also come down sharply.

In spite of the expected competition, the Company will be able to maintain its position at the regional level and deploy funds in niche segment because of its branch network and automobile dealership available within the group. The Company has drawn plans to synergise the financing operations within the group level on three areas viz. Automobile sales, Infrastructural equipment services and Retail resources. This strategy will strengthen the competitive position of the Company.

DEPLOYMENT

The Company is focussing on retail financing with specific focus on three areas viz. Commercial Vehicle finance, Infrastructural equipment financing and Consumer financing. During the financial year 2001-02, the Company deployed Rs.55.62 crores in hire purchase finance business. This represents a growth rate of 20% on annualised basis as compared to previous financial year. The Company enjoys a niche market in Tamilnadu and Kerala, especially in commercial vehicle financing.

RESOURCES

The Company allotted 76,50,000 equity shares of Rs.10/- each aggregating to Rs. 765 lakhs by way of preferential allotment to Promoters. The main source of funding for the Company is retail resources represented by deposits and Non-convertible debentures. The Company has also availed working capital limit from various Bankers. The total deposits with the Company as at 31.3.2002 stood at Rs.105.46 crores and the total non-convertible debentures with the Company as at 31.3.2002 was at Rs.34.72 crores.

FINANCIAL REVIEW

As a result of reduction in the operation levels, the Gross income for the year has come down to Rs.37.04 crores and the net profit after tax for the year remained at Rs.30.56 lakhs only. The Company has provided for Rs.226.46 lakhs as depreciation and Rs.2.60 lakhs towards Income tax.

RISKS AND CONCERNS

The Company is exposed to the normal industry risks like interest rate risk, credit risk and market risk. The Company is managing these risks by maintaining a conservative financial profile and by following prudent business and risk management policies.

ADEQUACY OF INTERNAL CONTROL

The Company has proper and adequate system of internal controls to ensure that all activities are monitored and controlled.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines.

The Audit Committee of the Board of Directors reviews the adequacy of internal controls.

HUMAN RESOURCES DEVELOPMENT

The Company has an able and experienced HR Department. As and when necessity arises, the Company select appropriate persons for the job, train and put them on the job.

On behalf of the Board of Directors

28th June 2002
Coimbatore

N MAHALINGAM
Chairman

ANNUAL REPORT 2002**CORPORATE GOVERNANCE REPORT**

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance. Accordingly, the Company has implemented the code.

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance aims at better levels of transparency, accountability and equity in all areas of its operations and its dealing with shareholders, employees, customers, lenders, regulatory and Government agencies.

BOARD OF DIRECTORS

The Board has seven Non-Executive Directors and One Managing Director. The Board has a Non-executive Chairman. The Board of Directors and its Committees meet at periodic intervals.

Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board.

The Board has constituted four committees, namely, Audit Committee, Remuneration Committee, Shareholders/ Investors' Grievance Committee and Asset Liability Management Committee.

4 meetings of the Board of Directors were held during the financial year on 30th June 2001, 8th August 2001, 24th October 2001 and 2nd February 2002.

The names of members of Board of Directors, their attendance at Board Meetings held during the financial year and at the last Annual General Meeting, number of Directorships and Membership/Chairmanship in public companies are given below:

Name of the Director	Category	Financial year 2001-02 Attendance at		As on 28th June 2002		
		Board Meetings	Last AGM	No. of Directorships*	Committee position	
				Member	Chairman	
<----- excluding SFL ----->						
Dr N Mahalingam	Non-Executive Chairman, Promoter	4	Yes	7	—	1
Sri M Manickam	Non-Executive Vice Chairman, Promoter	4	Yes	14	1	—
Sri M Balasubramaniam	Managing Director, Promoter	4	Yes	10	1	—
Sri M Srinivaasan	Non-Executive Director, Promoter	1	Yes	8	—	—
Sri A Shanmugasundaram	Non-Executive Director, Independent	3	Yes	1	—	—
Sri S A Murali Prasad	Non-Executive Director, Independent	4	No	2	—	—
Sri V Muthuswami	Non-Executive Director, Independent	2	Yes	—	—	—
Dr A Selvakumar	Non-Executive Director, Independent	2	Yes	2	—	—

*excludes private limited companies

SAKTHI FINANCE LIMITED

COMMITTEES

AUDIT COMMITTEE

Terms of Reference

To oversee:

- reviewing the accounting systems and policies periodically and suggest any improvements to the Board as and when required
- reviewing the financial statements before they are laid before the Board of Directors
- reviewing the internal control systems periodically
- any other matters that are relevant

Composition

The Audit Committee was constituted on 17th October 2000 consisting of three non-executive directors. The Committee was reconstituted on 30th March 2001. The composition of Audit Committee is as follows.

Chairman : Sri A Shanmugasundaram,
Director

Members : Sri V Muthuswami, Director
Dr A Selvakumar, Director

Meetings and Attendance

The Committee met 3 times during the financial year on 7th August 2001, 1st February 2002 and 28th March 2002 and all the members attended these meetings.

REMUNERATION COMMITTEE

The Remuneration Committee will determine and recommend to the Board the remuneration

including commission, perquisites and allowances payable to the Managing Director. The recommendations will be based on overall performance and financial results of the Company during the relevant financial year and also based on evaluation of performance on certain fixed parameters.

Composition

The Committee consists of three Directors

Chairman : Sri S A Murali Prasad

Members : Sri V Muthuswami
Dr A Selvakumar

Remuneration Policy of the Company is given below:

For Managing Director

The total remuneration, subject to member's approval, consists of:

- a fixed component, consisting of salary, perquisites and allowances as per Company's Rules
- a variable component, linked to performance of the Company consisting of Commission within the limits approved by the members.

For Non-Executive Directors

Sitting Fees as permitted under the Companies Act 1956 (Rs 2000/- per meeting of the Board) plus reimbursement of actual travelling and out-of-pocket expenses incurred for attending such meetings. Non-executive directors are not being paid any commission.

The details of remuneration paid to all the Directors for the year 2001-02 are given below.

(Rupees)

Name of the Director	Salary	Perquisites	Sitting Fees	Total
Dr N Mahalingam	—	—	8000	8000
Sri M Manickam	—	—	8000	8000
Sri M Balasubramaniam	538000	204000	—	742000 *
Sri M Srinivaasan	—	—	2000	2000
Sri A Shanmugasundaram	—	—	6000	6000
Sri S A Murali Prasad	—	—	8000	8000
Sri V Muthuswami	—	—	4000	4000
Dr A Selvakumar	—	—	4000	4000

* Does not include contribution to PF, Gratuity and leave encashment

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The Company does not have any Stock Option Scheme.

SHAREHOLDERS / INVESTORS' GRIEVANCE COMMITTEE**Terms of reference**

The functions of the Committee is to attend to the Grievance of shareholders/ investors and to create and review the systems for improving the services.

Composition

The Committee was constituted on 2nd February 2002 and consists of the following Directors.

Dr N Mahalingam, Chairman

Sri M Balasubramaniam, Managing Director

Dr A Selvakumar, Director

Sri S Veluswamy, Company Secretary is the Compliance Officer.

The letters received from the shareholders are replied immediately. As on 31st March 2002, 405 requests for transfer and 216 requests for dematerialisation were received. All the above requests were approved and acted upon.

Only few complaints were received from the members and they were replied/ resolved immediately. There are no pending complaints as on date.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee will review the Company's fiscal and risk management policies and practices adopted by the Company.

Composition

The Committee consists of following three Directors

Chairman : Sri M Balasubramaniam,
Managing Director

Members : Sri M Manickam, Vice Chairman
Sri A Shanmugasundaram,
Director

The Committee met two times in the current year and all the members attended these meetings.

GENERAL BODY MEETINGS

Details of location and time of holding the last three Annual General Meetings

Year	Date	Time	Location
1999-01	8.9.2001	4.00 p.m	President Hall
1998-99	9.3.2000	3.30 p.m	734, Avanashi Road
1997-98	26.9.1998	3.30 p.m	Coimbatore - 18

So far, no special resolution has been put through postal ballot. For this Annual General Meeting, there is no business / resolution that requires voting through postal ballot as per Rule 4 of the Companies (Passing of Resolution by Postal Ballot) Rules 2001.

OTHER DISCLOSURES

The details of Related Party Transactions are given in the notes on the accounts.

There are no instances of non-compliance by the Company on any matters relating to capital markets, nor have any penalty / strictures been imposed on the company by the Stock Exchanges or SEBI or any other statutory authority on any matter relating to capital markets during the last three years.

MEANS OF COMMUNICATION

The quarterly results are published in leading national / regional dailies ("The New Indian Express" in English and "Malai Malar" / "Dinathanthi" in Tamil).

A detailed Management Discussion and Analysis forms part of the Directors' report.

GENERAL INFORMATION FOR MEMBERS**45th Annual General Meeting**

Date and Time : Saturday, 21st September 2002 at 3.30 p.m

Venue : President Hall
734, Avanashi Road
Coimbatore - 641 018

FINANCIAL CALENDER

Annual General Meeting September 2002

Unaudited results for the quarter ending Before July 2002
June 2002

Unaudited results for the quarter ending Before October 2002
September 2002