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# SAKTHI FINANCE LIMITED

ANNUAL REPORT 2003



# 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  
 State Bank of Travancore  
 The Lakshmi Vilas Bank Ltd  
 The Catholic Syrian Bank Ltd  
 Central Bank of India  
 The South Indian Bank Ltd  
 The Karur Vysya Bank Ltd  
 Bank of India  
 Union Bank of India  
 Vijaya Bank

## PRINCIPAL EXECUTIVES

N. Srinivasan *Vice President*  
*(Corporate Service)*  
 T. Sivasankaran *General Manager (HR)*  
 S. Anand *General Manager (Operation)*

## AUDITORS

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

## COMPANY SECRETARY

S. Veluswamy

## REGISTERED OFFICE

90, Dr. Nanjappa Road  
 Coimbatore - 641 018  
 Phone : (0422) 2231471 - 74 (4 lines)  
 Fax : (0422) 2231915  
 E-mail : sakthif@giasmd01.vsnl.net.in

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## SAKTHI FINANCE LIMITED

### NOTICE TO MEMBERS

**NOTICE** is hereby given that the Forty Sixth Annual General Meeting of the Members of the Company will be held on **Tuesday, 30th September 2003 at 2.45 p.m** at President Hall, 734, Avanashi Road, Coimbatore-641 018 to transact the following business.

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

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and the Profit and Loss account for the year ended on that date and the reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Sri S A Murali Prasad, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Sri M Srinivaasan, 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.

#### SPECIAL BUSINESS

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

RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act 1956 and the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased by Rs.15,00,00,000 (Rupees Fifteen Crores Only) consisting of 1,50,00,000 Equity Shares of Rs 10/- each.

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

RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act 1956, the Memorandum of Association of the Company be and is hereby amended by deleting the existing Clause 5 and substituting in its place the following new Clause 5:

5. The Authorised Share Capital of the Company is Rs 45,00,00,000 (Rupees Forty Five Crores only) divided into 4,00,00,000 Equity Shares of Rs 10/- each and 5,00,000 Redeemable Cumulative Preference Shares of Rs 100/- each subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act 1956 and the statutory regulations for the time being in force in this regard.

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

RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be and is hereby amended by deleting the existing Article 3 and substituting in its place the following new Article 3.

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3. The Share Capital of the Company is Rs 45,00,00,000 (Rupees Forty Five Crores only) divided into 4,00,00,000 Equity Shares of Rs 10/- each and 5,00,000 Redeemable Cumulative Preference Shares of Rs 100/- each subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act 1956 and the statutory regulations for the time being in force in this regard.

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

RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the shares are listed, Foreign Exchange Management Act 1999 and the regulations / guidelines issued by the Reserve Bank of India thereunder, Guidelines for Preferential Issues issued by the Securities and Exchange Board of India (SEBI) and other applicable Regulations / Guidelines of SEBI, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this Resolution) to offer, issue and allot 25,00,000 Equity Shares of Rs 10/- each for cash at par of the aggregate nominal value up to Rs 2,50,00,000, to any Body Corporate, Financial Institutions, Non-Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual Funds, including off-shore mutual funds, persons or individuals and / or any combination thereof, whether or not such body corporate, Financial Institutions, Non-Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors, Trusts, Mutual Funds, including off-shore mutual funds, persons or individuals are members of the Company or not on such terms and conditions and in such tranches as may be decided by the Board in its absolute discretion.

RESOLVED FURTHER THAT the "Relevant Date" for the purpose of determining the issue price under SEBI Guidelines for Preferential Issues shall be 31st August 2003, 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 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 resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds and matters and things as it may at its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper.

9. 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 other applicable provisions, if any, of the Companies Act 1956, approval of the Company be and is hereby accorded to the Board of Directors to issue and allot Redeemable Cumulative Preference Shares of Rs 100/- each for an aggregate amount not exceeding Rs 5 crores to any Individual, Body Corporates, Financial Institutions, Non-resident Indians, Overseas Corporate Bodies, Trusts, Mutual Funds and / or any combination thereof whether or not those allottees include the persons referred to in clause (a) of sub-section (1) of Section 81 of the Companies Act 1956 on such terms and conditions, if any, as the Board of Directors may determine subject to such guidelines, approval or sanctions, if any, as may be applicable or required in this regard.

**SAKTHI FINANCE LIMITED**

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds and matters and things as it may at its discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper.

**NOTES**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS SHOULD BE LODGED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of the Special Business under Item Nos. 5 to 9 set out above is annexed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 16th September 2003 to Friday, 26th September 2003, both days inclusive.
4. The shares of the Company have been dematerialised since October 2001. The Company has appointed SKDC Consultants Ltd, Coimbatore, as Registrars and Transfer Agents for the physical segment also with effect from 31st January 2003.
5. Members are informed that 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 years are requested to claim the amount from the Registrar of Companies, Stock Exchange Building, Second Floor, 683 - 686, Trichy Road, Singanallur, Coimbatore - 641 005.

Further, pursuant to Section 205C of the Companies Act 1956, the unpaid dividend for the year ended 31st March 1995 which remained unclaimed for a period of 7 years from the date of transfer to the unpaid dividend account had already been transferred to the Investor Education and Protection Fund.

The dividend for the year ended 31st March 1996 which still remains unclaimed will be transferred to the Investor Education and Protection Fund on 19th October 2003. Members who have not encashed the warrants for the above year are requested to claim the dividends from the Company immediately by surrendering the warrants. Members are further informed that no claims shall lie against the fund or the Company in respect of individual amounts once it is transferred to the above fund.

30th August 2003  
Coimbatore

By Order of the Board  
**M. BALASUBRAMANIAM**  
Managing Director

**ANNUAL REPORT 2003****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956****ITEM NOS 5 TO 7**

The present Authorised Share capital of the Company is Rs 30 crores consisting of 2,50,00,000 Equity Shares of Rs 10/- each and 5,00,000 Redeemable Cumulative Preference Shares of Rs 100/- each. The present subscribed, issued and paid-up equity share capital of the Company is Rs.17.57 crores consisting of 1,75,71,321 equity shares of Rs 10/- each.

With a view to increase the capital base and raise the net worth, the Board of Directors have proposed to issue additional equity shares. To accommodate the increase in share capital, the Authorised Share Capital has to be increased by the creation of additional 1,50,00,000 Equity Shares of Rs 10/- each. The revised Authorised Share Capital will be Rs 45 crores divided into 4,00,00,000 Equity Shares of Rs 10/- each and 5,00,000 Redeemable Cumulative Preference Shares of Rs 100/- each. This requires the approval of the members under Section 94 (1) (a) of the Companies Act 1956 for which necessary resolution is proposed as set out in Item No.5.

As a consequence, the Capital Clauses in the Memorandum of Association (Clause 5) and the Articles of Association (Article 3) have to be amended and the necessary Special Resolutions are proposed under Item Nos. 6 and 7 for the approval of the Members. The Board of Directors recommend the passing of the Resolutions. None of the Directors is, in any way, concerned or interested in the said resolutions.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection at the Registered Office of the Company on all working days during business hours.

**ITEM NO 8**

To increase the network of the Company and to meet the working capital requirements, the Board of Directors have decided to issue 25,00,000 equity shares of Rs 10/- each to Bridgewater Investment Corporation Limited, an Overseas Corporate Body on preferential allotment basis. Bridgewater Investment Corporation Ltd has indicated its intention to subscribe to this issue of shares.

Section 81 (1A) 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 members of the Company in the manner laid down in the said section, unless members decide otherwise in the general meeting. Accordingly, the consent of the Members is being sought pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act 1956, SEBI Guidelines and provisions of the Listing Agreement etc to offer, 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 Shareholding pattern before and after the preferential allotment will be as follows:

| Category  | Current Pattern         |               | Post Allotment of equity to BICL |               |
|---|-------------------------|---------------|----------------------------------|---------------|
|   | Number of Equity Shares | Percentage    | Number of Equity shares          | Percentage    |
| 1. Promoters, Directors, their relatives & Associates | 12374743                | 70.43         | 12374743                         | 61.65         |
| 2. Financial Institutions & Banks                     | 2300                    | 0.01          | 2300                             | 0.01          |
| 3. NRIs   | 3100                    | 0.02          | 3100                             | 0.02          |
| 4. Public   | 5191178                 | 29.54         | 5191178                          | 25.86         |
| 5. Bridgewater Investment Corporation Ltd             | —                       | —             | 2500000                          | 12.46         |
| <b>Total</b>  | <b>17571321</b>         | <b>100.00</b> | <b>20071321</b>                  | <b>100.00</b> |



## SAKTHI FINANCE LIMITED

The allotment of equity shares is proposed to be completed within 3 months from the date of passing of the resolution i.e. on or before 29th December 2003.

No promoters / directors / key management personnel would be subscribing to the preferential issue authorised 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.

None of the Directors of the Company is concerned or interested in these resolutions.

### ITEM NO 9

It is proposed to issue Redeemable Cumulative Preference Shares of Rs 100/- each upto Rs 5 crores to augment the networth of the company on such terms and conditions as may be decided by the Board of Directors at their discretion. The Special Resolutions authorising the Board of Directors under Section 81(1A) of the Companies Act 1956 to offer, issue and allot preference shares at their discretion, as detailed in the resolution, is placed before the members for their approval.

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, may be interested or concerned in these resolutions if the preference shares are allotted to any of the companies in which they are interested.

None of the other Directors have any concern or interest in these resolutions.

30th August 2003  
Coimbatore

By Order of the Board  
**M BALASUBRAMANIAM**  
Managing Director

### INFORMATION ON DIRECTORS RETIRING BY ROTATION SEEKING REAPPOINTMENT AT 46TH ANNUAL GENERAL MEETING PURSUANT TO THE LISTING AGREEMENT

|   |  |  |
|---|--|--|
| Name  | Sri S A Murali Prasad  | Sri M Srinivaasan  |
| Date of Birth and Age   | 27.9.1941 - 61 years   | 2.9.1966 - 36 years  |
| Appointed on  | 21st January 1984  | 18th April 1994  |
| Qualifications  | MCom ACA AICWA   | B.E, M B A   |
| Expertise in specific functional areas                        | He is a leading Management Consultant in Chennai and has been in practice for nearly 3 decades. He has got rich experience in finance, software consultancy etc. | He holds a bachelors degree in engineering and a post graduate degree in business administration. He has got experience in Sugar Industry and is the Managing Director of Sri Chamundeswari Sugars Ltd   |
| Directorships held in other companies                         | Chettinad Mb-F-Hi-Silica P Ltd<br>Rane Brake Linings Ltd<br>Sam Consultancy Services P Ltd   | ABT Ltd<br>ABT Industries Ltd<br>Sakthi Auto Component Ltd<br>Sakthi Management Ser. (Cbe) Ltd<br>Sakthi Sugars Ltd<br>Sakthi Synthetic Gems Ltd<br>Sri Bhagavathi Textiles Ltd<br>Sri Chamundeswari Sugars Ltd<br>Sri Sakthi Textiles Ltd<br>The Gounder and Company Auto Ltd |
| Membership/Chairmanship of committees across public companies | Remuneration Committee<br>Sakthi Finance Ltd, Chairman   | Nil  |

**ANNUAL REPORT 2003****DIRECTORS' REPORT**

To the Members

Your Directors have pleasure in presenting their Forty Sixth Annual Report together with the audited accounts of the Company for the financial year ended 31st March 2003.

**FINANCIAL RESULTS**

|  | (Rs lakhs)     |                |
|--|----------------|----------------|
|  | <b>2002-03</b> | <b>2001-02</b> |
| Profit before Tax                            | <b>36.43</b>   | 33.16          |
| Less : Provision for Income tax              | <b>2.82</b>    | 2.60           |
| Profit after Tax                             | <b>33.61</b>   | 30.56          |
| Add : Surplus brought forward from last year | <b>227.35</b>  | 118.27         |
| Transfer from General Reserve                | <b>191.90</b>  | —              |
| Deferred Tax amount credit                   | <b>46.23</b>   | 84.67          |
| Less : Prior years' write off                | <b>419.24</b>  | —              |
| Profit available for appropriations          | <b>79.85</b>   | 233.50         |
| <b>Appropriations</b>                        |                |                |
| Statutory Reserve                            | <b>6.75</b>    | 6.15           |
| Surplus carried to Balance Sheet             | <b>73.10</b>   | 227.35         |
| <b>Total</b>                                 | <b>79.85</b>   | 233.50         |

**DIVIDEND**

The net profit after taxation was at Rs 33.61 lakhs only. Therefore, the Board of Directors are unable to recommend dividend on the equity share capital for the financial year 2002-03.

**BUSINESS**

During the financial year under review, the company deployed Rs.64.67 crores in Hire Purchase business as against Rs. 55.62 crores during the previous financial year. The collection efficiency continues to be good. The Board of Directors are optimistic of better business prospects in the coming year.

**DEPOSITS**

The total deposits with the company as at 31st March 2003 stood at Rs 107.25 crores as against Rs.105.47 crores as at 31st March 2002.

At the end of the financial year, 2595 deposits amounting to Rs.396.12 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, 797 deposits amounting to Rs.162.93 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.

1. Sri S A Murali Prasad
2. Sri M Srinivaasan

**AUDIT COMMITTEE**

The Audit Committee constituted under Section 292A of the Companies Act 1956 continues to function with the following independent Directors:

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



## SAKTHI FINANCE LIMITED

### SUBSIDIARY COMPANY

As required under section 212 of the Companies Act 1956, the audited statement of accounts for the year ended 31st March 2003 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.

### ISSUE OF EQUITY SHARES

To augment the network and to increase the deployment in Hire Purchase business in the coming years, the Board of Directors have proposed to issue additional shares. Necessary resolutions are placed before the members for approval at the ensuing Annual General Meeting.

### 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.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the Annual Accounts, the applicable accounting standards had been followed;
- 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;
- 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
- the directors had prepared the annual accounts on a going concern basis.

### CORPORATE GOVERNANCE REPORT

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

30th June 2003  
Coimbatore

**N MAHALINGAM**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENT

Financial services industry is one of the oldest industries. The Retail Finance industry in India has been going through a major phase of transformation. Broadly, the industry can be segmented into the following 3 areas:

#### 1. Banks, Institutions and Subsidiaries of Multinational Banks

These institutions originate high volume of hire purchase business either directly or through channel partners.

#### 2. Captive Finance Companies

These institutions are the finance subsidiaries of Vehicle / Equipment Manufacturers. Nearly all of the business originated by captives are sourced through the manufacturer's dealer network. The primary business purpose is to promote and support the sales of their parent manufacturing company's operations. Towards this reason some incentive exists for captive finance companies to price their product aggressively in order to promote sales.

#### 3. Independent Finance Companies

The independent finance companies can be classified into 2 types.

##### 1. Monoline Finance Companies: -

They are specialised finance companies, which focus on a single product financing.

##### 2. Multiline Finance Companies: -

They are diversified finance business companies, which generally have a balanced portfolio of asset segments. They focus on niche segment at both the end of the spectrum.

### POSITIONING OF SAKTHI FINANCE

Your Company is positioned as a **Multiline** finance company concentrating in the following segments of Retail Asset Financing.

- Commercial Vehicles
- Infrastructure Development Equipments
- Personal finance requirements

It is our belief that generally multiline approach is perceived to be more stable than monolines.

### OPPORTUNITIES

India has 3 million km of roads and this road network carries 85 percent of the total passenger traffic and 70 percent of the total freight traffic. Hence road sector assumes significant importance in ongoing development process and now government has stepped up its investments through budgetary support and Central Road Fund. Added to this, external aid for large highways projects have started coming to Indian road sector. It is expected that with the completion of Golden Quadrilateral (GQ) and North South East West (NSEW) road projects by National Highways Authority of India (NHAI) and connectivity of 10 major ports being improved, the movement of goods through roads will become dominant.

Further, the following developments will strengthen the road transport industry.

- Better Infrastructure, Larger vehicles, better communication and IT support have all contributed to the reduction in cost / tonne kilometer.
- Average Payload weight per individual truck is increasing.
- Empty running is slightly on the decrease