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SAKTHI
FINANCE
LIMITED
ANNUAL REPORT 2008

SAKTHI FINANCE LIMITED

BOARD OF DIRECTORS

Sri. M. Manickam *Chairman*
 Sri. M. Balasubramaniam
Vice Chairman and Managing Director
 Sri. S.A. Murali Prasad
 Sri. A. Shanmugasundaram
 Sri. P.S. Gopalakrishnan
 Sri. M. Srinivaasan
 Dr. A. Selvakumar

SENIOR MANAGEMENT

Sri. N. Srinivasan *Vice President*
 Sri. P.A. Muralidharan *Vice President*
 Dr. S. Veluswamy *General Manager*
 Sri. G. Muniaswamy *General Manager*
 Sri. V. Ramanathan *Deputy General Manager*
 Sri. K. Guruprasad *Asst. General Manager*
 Sri. K. Natesan *Asst. General Manager*

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

62, Dr. Nanjappa Road
 Coimbatore - 641 018
 Phone : 0422 - 2231471 - 74 (4 lines)
 Fax : 0422 - 2231915

REGISTRARS & TRANSFER AGENTS

SKDC Consultants Limited
 No.11, Street No.1
 S N Layout (West Power House Road)
 Coimbatore - 641 012
 Phone : 0422 - 6549995
 Fax : 0422 - 2499574
 E- Mail : info@skdc-consultants.com

BANKERS

Indian Overseas Bank
 Canara Bank
 The Karnataka Bank Ltd
 State Bank of Travancore
 The Catholic Syrian Bank Ltd
 The Lakshmi Vilas Bank Ltd
 Syndicate Bank
 Central Bank of India
 The South Indian Bank Ltd
 Bank of India
 Vijaya Bank

FINANCIAL INSTITUTIONS

Small Industries Development Bank of India
 The Tamilnadu Industrial Investment Corporation Limited

AUDITORS

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

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty First Annual General Meeting of the members of the Company will be held on Monday, 25th August 2008 at 4.30 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 2008 and the Profit and Loss account for the year ended on that date together with 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 P S Gopalakrishnan who retires by rotation and is eligible for reappointment.
4. To appoint M/s. P.N.Raghavendra Rao & Co, Chartered Accountants, Coimbatore as Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on the remuneration and out-of-pocket expenses as recommended by the Audit Committee and approved by the Board of Directors.

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 Resolutions as Ordinary Resolutions:

RESOLVED THAT in supersession of all resolutions passed in this regard and pursuant to Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company of such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecation by the Company as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of the financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies') / Trustees for the holders of debentures / bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an equivalent aggregate value not exceeding Rs 500 crores together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements / Loan Agreements/ Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to finalise with the Lending Agencies / Trustees the documents for creating the aforesaid charges, mortgages and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above Resolution.

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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 AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. As required under Clause 49 (IV)(G) of the Listing Agreement, the relevant details of directors seeking reappointment under Items Nos.2 and 3 is annexed.
3. The relative Explanatory Statement as required under Section 173(2) of the Companies Act 1956 setting out the material facts in respect of special business under Item No.5 is annexed.
4. The Register of Members and Share Transfer Books of the company will remain closed from Monday, 18th August 2008 to Monday, 25th August 2008, both days inclusive.
5. Members holding shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
6. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses either to the Company or to the Registrar and Share Transfer Agents, SKDC Consultants Limited, Coimbatore - 641 012 or to their respective Depository Participant (DP) in case the shares are held in dematerialised form.
7. a. As per Section 205A of the Companies Act 1956, all unclaimed dividends up to the financial year ended 31st March 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrant(s) for the said period are requested to forward their claims in prescribed Form No.II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 to Registrar of Companies, Stock Exchange Building, Second Floor, 683-686, Trichy Road, Singanallur, Coimbatore - 641 005.
- b. As per Section 205A (5) of the Companies Act 1956, the Company has transferred all unclaimed dividends for the financial years ended 31st March 1995, 1996 and 1997 which remained unclaimed for a period of seven years to the Investor Education and Protection Fund. Members 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 seven years from the dates that they first become due for payment and no payment shall be made in respect of each such claim.
- c. The Special Interim Dividend of 5% paid during March 2007 on equity shares for the year ended 31st March 2007 will be transferred to the Investor Education and Protection Fund during May 2014. Members who have not encashed their dividend warrant are requested to claim the warrants at an early date.

By Order of the Board

Coimbatore
28th June 2008

S Venkatesh
Company Secretary

SAKTHI FINANCE LIMITED**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956****Item No.5**

The company would be borrowing monies from time to time for the purpose of business of the Company, from financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies') / Trustees for the holders of debentures / bonds and / or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments.

This in turn necessitates enhanced creation of security by suitable charges and/or mortgages on all or some of the movable and / or immovable properties of the company, both present and future, in favour of the Lending Agencies / Trustees.

Section 293(1)(a) of the Companies Act 1956 provides that the Board of Directors of a public company shall not, except with the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertakings of the Company.

Accordingly, the consent of the members is required for creation of such charge / mortgage in favour of the Lending Agencies / Trustees. The proposed resolution seeks to authorise the Board of Directors to charge and/or mortgage the movable and / or immovable properties of the Company to secure the loans, debentures, financial assistance / credit facilities obtained / to be obtained by the Company from the lenders up to Rs 500 crores.

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

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

Coimbatore
28th June 2008

By Order of the Board
S Venkatesh
Company Secretary

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Item Nos.2 and 3

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE 51ST ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT

Name	S A Murali Prasad	P S Gopalakrishnan
DIN	00001432	00001446
Date of birth and age	27th September 1941, 66 years	23rd August 1935, 72 years
Date of appointment on the Board	21st January 1984	20th November 2004
Qualifications	M.Com., A.C.A., AICWA	B.Com., LLB, AIB (London)
Expertise in specific functional areas	He is a leading practicing Management Consultant in Chennai and has been in practice for more than 3 decades. He has been advising corporates on finance, software consultancy etc.	Has got rich experience in heading banks and financial institutions
Directorships held in other public companies	Kovai Medical Center and Hospital Limited Rane Brake Linings Limited	Dharani Sugars and Chemicals Limited Kothari Sugars and Chemicals Limited Shriram General Insurance Company Limited
Memberships / Chairmanships of Committees across public companies	Chairman 1. Audit Committee 2. Nomination and Remuneration Committee Sakthi Finance Limited Member Audit Committee: Rane Brake Linings Limited	Chairman 1. Audit Committee 2. Remuneration Committee Dharani Sugars and Chemicals Limited Kothari Sugars and Chemicals Limited Member Nomination and Remuneration Committee: Sakthi Finance Limited
Number of Shares held	Nil	Nil
Relationship with other directors	None	None

SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Fifty First Annual Report together with the audited accounts of the company for the financial year ended 31st March 2008.

FINANCIAL PERFORMANCE

(Rs lakhs)

Particulars	2007-08	2006-07
Profit before tax	640.05	495.93
Less: Provision for:		
- Income Tax	77.97	32.08
- Fringe Benefits Tax	7.80	8.37
- Deferred tax	231.80	140.83
Add: Income Tax provision withdrawn - earlier years	(3.22)	(1.70)
Profit after tax	325.70	316.35
Add: Surplus brought forward from last year	430.48	365.16
Less: Provision for Employee Benefits - earlier years	(31.72)	-
Amount available for appropriation	724.46	681.51
Appropriations:		
Special Interim Dividend	-	100.36
Dividend Tax on Special Interim Dividend	-	14.07
Transfer to Statutory Reserve	65.14	63.27
Surplus carried to Balance Sheet	659.32	503.81

BUSINESS

During the current financial year, the company's disbursement achieved a record level. The company disbursed Rs. 20278 lakhs in hire purchase business as against Rs.15034 lakhs during the previous financial year. The collection efficiency continues to be good. Your directors are hopeful of higher business volumes and profitability in the coming years.

RESERVES AND SURPLUS

As required under Section 45IC of the Reserve Bank of India Act 1934, the Company has transferred 20% of the net profit after tax to Statutory Reserve.

Effective 1st April 2007, the Company adopted the revised Accounting Standard 15 (AS-15) on 'Employee Benefits' issued by The Institute of Chartered Accountants of India.

In accordance with the transitional provision contained in the said Standard, the balance of Rs 31.72 lakhs between the liability in respect of employee benefits existing on the date of adoption of the standard has been adjusted against the opening balance of the surplus in Profit and Loss Account.

DIVIDEND

In view of conserving the resources for future needs, the Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2008.

RIGHTS ISSUE

During the year the Company made a rights issue of 1,00,35,660 equity shares of Rs 10 each for cash at par aggregating to Rs 1003.57 lakhs to the shareholders in the ratio of one equity share for every two equity shares held on the record date i.e.31st October 2007. The allotment was completed on 30th January 2008 and the shares were listed in Bombay and Madras Stock Exchanges.

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The utilisation of rights issue proceeds as against the objectives stated in the Letter of Offer is given below: (Rs lakhs)

Particulars	As stated in the Letter of Offer	Utilisation
Augmenting the capital base to meet fund requirements	953.57	972.64
Issue expenses	50.00	30.93
Total	1003.57	1003.57

DEPOSITS

The total deposits with the company as at 31st March 2008 stood at Rs. 6436 lakhs as against Rs 8186 lakhs for the corresponding period last year.

As at the end of the financial year, 935 public deposits amounting to Rs.265.02 lakhs were due for repayment but remained to be claimed or renewed. The Company reminded the depositors regularly about the maturity and out of the said deposits, 397 deposits amounting to Rs. 113.17 lakhs have since been claimed and repaid / renewed as per their instructions.

CAPITAL ADEQUACY

Consequent to the allotment of 1,00,35,660 equity shares on rights basis, the paid up capital of the company has increased to Rs. 3010.70 lakhs as on 31st March 2008 from Rs. 2007.13 lakhs as on 31st March 2007.

As a result of the enhanced net worth, the company's Capital to Risk Assets Ratio has increased to 17.73 per cent as on 31st March 2008, well above the 12 per cent prescribed by the Reserve Bank of India.

DIRECTORS

During the year, Dr N Mahalingam, Chairman retired from the Board of Directors with effect from 24th October 2007. He had been associated with the Company for more than four decades. The Board of Directors place on record invaluable guidance and mature advice given by Dr N Mahalingam during his tenure as Chairman of the Company.

To continue to avail of his advice, Board of Directors at their meeting held on 24th October 2007 have requested Dr N Mahalingam to act as Chairman Emeritus of the Company. Dr N Mahalingam has also consented to act as Chairman Emeritus of the Company.

The Board of Directors at their meeting held on 24th October 2007 have appointed Sri.M.Manickam, Vice Chairman as Chairman and Sri M Balasubramaniam, Managing Director as Vice Chairman and Managing Director of the Company.

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 P S Gopalakrishnan

The profiles of these directors, as required under Clause 49 (IV) (G) of the Listing Agreement entered into with stock exchanges are given in the Annexure to the Notice of the 51st Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee is functioning with the following non-executive directors:

1. Sri S A Murali Prasad, Chairman
2. Dr A Selvakumar, Member
3. Sri A Shanmugasundaram, Member

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act 1956, the audited financial statements for the year ended 31st March 2008 of Sakthi Properties (Coimbatore) Limited, a wholly owned subsidiary, along with the Schedules and the reports of the Directors and Auditors and also the statement under the said section are attached.

SAKTHI FINANCE LIMITED

CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on corporate governance and a certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated under the listing agreement form part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Overview

India's economic growth remained intact with the GDP expanding by more than 9% for the third year as agricultural and allied sectors grow by 4.5% during 2007-08. The growth in services sector and manufacturing sectors have been around 10.7% and 8.8%, respectively. The drivers of growth for the Indian Economy continue to be services and manufacturing. The financial sector industry has been part and parcel of the services sector.

The financial services sector has direct linkage with the Commercial Vehicles Industry, which is the backbone of the transportation. With the continued growth in the economy, the demand for vehicle financing has assumed greater importance. This in turn has helped the Non-banking Financial Companies both directly and indirectly. Companies with strong customer focus, well established, wide network of branches with rural and urban presence will stand to gain. Our Company is one such company with the above attributes. These factors helped the company to increase its business volumes in Commercial Vehicle segment.

Opportunities

It is estimated that the Commercial Vehicles industry is expected to grow around 12% due to favourable demographic trends, anticipated growth recovery in commercial vehicles and robust export growth. Commercial Vehicle Industry is accounted for transporting more than 60% of the total freight in the country. As per research studies conducted the pre-owned commercial vehicle financing is estimated to be around Rs.63,000 crores. Our Company with strong customer contact and branch network will capitalise this opportunity and make higher volumes of business.

Threats

The hike in prices of petroleum products and steps taken to curb inflationary pressures may have an impact on various sectors of the economy. In this process, the road transport industry with which our Company is closely associated may also be affected. But as our Company is in pre-owned truck finance segment, the impact will be less.

Business Outlook

India's economic growth is likely to remain positive and all sectors of economy to grow at moderate level. With the improvement in infrastructure of road transport sector, there will be positive impact on Commercial Vehicle industry and consequently the financial sector. Our Company concentrates on funding the used vehicle segment which has not been exploited fully, the growth potential in this sector will remain higher. Consequently, this will lead to higher disbursements to our company in the coming years.

Performance and Financial Review

For the year under review, the company's disbursement recorded a new high. The total disbursement for the year is Rs. 20278 lakhs in hire purchase finance business as against Rs 15034 lakhs in the previous financial year. As on 31st March 2008, the total deposits with the company was at Rs.6436 lakhs. The gross income for the year was Rs.4222.59 lakhs and the net profit after tax for the year was at Rs. 325.70 lakhs. The company has charged in profit and loss account Rs. 81.41 lakhs as depreciation.

Risks and Concerns

The Company is exposed to normal industry risks such as credit risk, market risk and operational risk. These risks are mitigated by adopting prudent business and risk management policies. The risk management policies are periodically reviewed by the Audit Committee so as to modify them to suit Company's business needs.

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Internal Control System and its Adequacy

The Company has a sound and adequate system of internal controls to monitor and control all the activities. The Company complies with all internal control policies and procedures as also other regulatory requirements. The Audit Committee is briefed of all internal controls.

Human Resources Development

During the year, the Company maintained very harmonious and cordial industrial relations. As on 31st March 2008, there were 239 employees. The Company's human resources philosophy is to establish and build a strong performance and competency driven culture with higher sense of accountability and responsibility among its employees. The Company has taken necessary steps to strengthen organisational competency through training programmes at various levels and installing effective system.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

As required under Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988:

- a. The Company has no activity involving conservation of energy or technology absorption;
- b. The Company does not have any Foreign Exchange Earnings; and
- c. Foreign Exchange Outgo : Rs 3.73 lakhs

The company has no employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and that no material departure had been made from it;
- 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 at the end of the financial year and of the profit of the company for the financial year;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 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.

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. The company has obtained a confirmation from the auditors that their reappointment, if made, at the forthcoming annual general meeting would be within the limit specified under Section 224 (1B) of the Companies Act 1956.

ACKNOWLEDGEMENTS

Your directors wish to place on record the valuable assistance and co-operation extended by the members, banks, financial institutions and government authorities. The Board of Directors wish to convey their sincere thanks to the depositors and debenture holders 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.

For and on behalf of the Board

Coimbatore
28th June 2008

M MANICKAM
Chairman