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SAKTHI FINANCE LIMITED

ANNUAL REPORT 2009

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
 Sri. S. Ragathanan

SENIOR MANAGEMENT

Sri. M.K. Vijayaraghavan *President (Finance)*
 Dr. S. Veluswamy *President (Operations)*
 Sri. G. Muniasamy *General Manager*
 Sri. K. Guruprasad *General Manager*
 Sri. K. Natesan *General Manager*
 Sri. N. Raveendran *General Manager*

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

62, Dr. Nanjappa Road
 Coimbatore - 641 018
 Phone : (0422) 2231471 - 74, 4236200
 Fax : (0422) 2231915
 E-mail : sakthif_info@sakthifinance.com

REGISTRARS & TRANSFER AGENTS

SKDC Consultants Limited
 No.7 (Old 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
 Syndicate Bank
 State Bank of Travancore
 Bank of India
 The Catholic Syrian Bank Ltd
 The Lakshmi Vilas Bank Ltd
 Central Bank of India
 The South Indian Bank Ltd

FINANCIAL INSTITUTIONS

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

AUDITORS

M/s. P.N. Raghavendra Rao & Co
 Chartered Accountants
 No. 23/2, Viswa Paradise Apartments
 Second Floor, Kalidas Road, Ramnagar
 Coimbatore - 641 009

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty Second Annual General Meeting of the members of the Company will be held on Friday, 11th September 2009 at 4.30 p.m at Suguna Auditorium, Avanashi Road, Peelamedu, Coimbatore - 641 004 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 2009 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 A Shanmugasundaram 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 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(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT Sri S Ragothaman, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 30th June 2009 and who holds office upto the date of this Annual General Meeting of the Company under Section 260 of the Companies Act, 1956 and in respect of whom a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Sri S Ragothaman as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

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

RESOLVED THAT in supersession of the resolution passed at the 38th Annual General Meeting of the Company held on 1st September 1994 and pursuant to Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, as may in the opinion of the Board of Directors be required to be borrowed by the Company, notwithstanding that the monies borrowed and/or to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained and / or to be obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the Paid up Capital of the Company and its Free Reserves, that is to say, Reserves not set apart for any specific purpose, PROVIDED HOWEVER the total monies borrowed and outstanding at any time for the principal amounts of the loans borrowed (apart from temporary loans obtained and / or to be obtained from the Company's Bankers in the ordinary course of business) shall not exceed Rs 1500 crores (Rupees one thousand five hundred crores only) over and above the aggregate of the Paid up Capital of the Company and its Free Reserves.

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7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolutions:

RESOLVED THAT in supersession of the resolution passed at the 51st Annual General Meeting of the Company held on 25th August 2008 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 mortgages, charges and hypothecations in addition to the existing mortgages, charges 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 1500 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 mortgages, charges 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.

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 / appointment under Items Nos. 2, 3 and 5 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 Nos. 5 to 7 is annexed.
4. The Register of Members and Share Transfer Books of the company will remain closed from Friday, 4th September 2009 to Friday, 11th September 2009, 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. Members 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.

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- b. As per Section 205A (5) of the Companies Act 1956, the Company has transferred all unclaimed dividends up to the financial year ended 31st March 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.

Coimbatore
30th July 2009

By Order of the Board

S Venkatesh
Company Secretary

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

Item No.5

Sri S Ragothaman, aged 63 years, was appointed as an Additional Director of the Company as per Article 68 of the Articles of Association of the Company by the Board of Directors at their meeting held on 30th June 2009. He holds office till the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and a resolution to appoint him as a Director of the Company is proposed under Item No. 5 of the Notice.

Sri S Ragothaman holds a Bachelor's Degree in Commerce. He is also a Fellow member of The Institute of Chartered Accountants of India, New Delhi. He was formerly with ICICI Ltd., Chennai for more than three decades and presently, he has been practising as a Financial Consultant. He has got rich experience in banking, finance, accounting etc. Sri S Ragothaman is on the Board of several Companies and is also Chairman / Member of various Committees of the Board, the details of which are given in the Annexure to the Notice.

The Board is of the view that Sri S Ragothaman's knowledge and experience will be of immense benefit and value to the Company and therefore, recommends his appointment to the members.

A notice together with the required deposit has been received from a member under the provisions of Section 257 of the Companies Act 1956 proposing his candidature for the office of director of the company. Sri S Ragothaman has given his consent to act as a director, if appointed.

Except Sri S Ragothaman, none of the other directors is in any way concerned or interested in the resolution.

Sri S Ragothaman holds 4000 equity shares of the Company.

Item No.6

At the 38th Annual General Meeting held on 1st September 1994, members of the Company authorised the Board of Directors to borrow up to Rs 500 crores over and above the Paid up Capital plus Free Reserves of the Company for the purpose of business of the Company.

Section 293(1)(d) of the Companies Act 1956 provides that the Board of Directors of a public limited company shall not except with the consent of the members in General Meeting borrow monies in excess of the Paid-up Capital and Free Reserves (apart from temporary loans obtained and /or to be obtained from the Company's Bankers in the ordinary course of business).

The Board is of the view that to meet the increased business needs of the Company, additional borrowings are required. Accordingly, a resolution to accord consent to the Board of Directors to borrow up to Rs 1500 crores over and above the Paid up Capital plus Free Reserves of the Company is proposed under Item No.6 of the Notice.

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

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

Item No.7

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 lenders/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 lenders. The proposed resolution seeks to authorize 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 1500 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.

By Order of the Board

Coimbatore
30th July 2009

S Venkatesh
Company Secretary

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Item Nos 2 and 3

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT / APPOINTMENT AT THE 52ND ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT

Name of Director	A Shanmugasundaram	M Srinivaasan
Director's Identification Number (DIN)	00001434	00108327
Date of birth and age	16th September 1936, 72 years	2nd September 1966, 42 years
Date of appointment on the board	19th September 1979	18th April 1994
Qualifications	Intermediate	B.E., M.B.A
Expertise in specific functional areas	He has got vast and rich experience in many industries such as Automobiles, Tyre retreading, Consumer durables, Agriculture etc. He is the Managing Director of Anamallais Retreading Company Private Limited and Managing Partner of M/s N. Mahalingam & Co, Coimbatore	He holds a Bachelor's degree in Engineering and a Post Graduate degree in Business Administration. He has got rich and varied experience in sugar industry. At present, he is the Managing Director of Sri Chamundeswari Sugars Limited and Joint Managing Director - Technical of Sakthi Sugars Ltd.
Directorships held in other public companies	Sri Sakthi Textiles Limited	<ol style="list-style-type: none"> 1. ABT Ltd. 2. ABT Foods Ltd. 3. ABT Foods Retailing (India) Ltd. 4. ABT Industries Ltd. 5. Sakthi Auto Component Ltd. 6. Sakthi Management Services (Coimbatore) Ltd. 7. Sakthi Properties (Coimbatore) Ltd. 8. Sakthi Realty and Infrastructure Ltd. 9. Sakthi Sugars Ltd. 10. Sri Bhagavathi Textiles Ltd. 11. Sri Chamundeswari Sugars Ltd 12. Sri Sakthi Textiles Ltd. 13. The Gounder and Company Auto Ltd.
Memberships /Chairmanships of committee across public companies	Audit Committee - Member: Sakthi Finance Limited	Shareholders and Investors Grievance Committee - Member: Sri Chamundeswari Sugars Ltd.
No of equity shares held	7,875	2,51,355
Relationship with other directors	Not Applicable	Brother of Sri M Manickam and Sri M Balasubramaniam

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Item No.5

Name of Director	S Ragothaman
Director's Identification Number (DIN)	00042395
Date of birth and age	10th May 1946, 63 years
Date of appointment on the Board	30th June 2009
Qualifications	B.Com., F.C.A
Expertise in specific functional areas	He has got rich experience in Banking and Financial institutions.
Directorships held in other public companies	Biax Specialty Films Ltd Hinduja Foundries Ltd Shreyas Shipping & Logistics Ltd The Bombay Dyeing & Manufacturing Company Ltd Xpro India Ltd Xpro Global Ltd
Memberships/ Chairmanships of Committee across public companies	Audit Committee - Chairman: 1. The Bombay Dyeing and Manufacturing Company Ltd. 2. Xpro India Ltd. Audit Committee - Member : 1. Hinduja Foundries Ltd. 2. Shreyas Shipping & Logistics Ltd Investors' Grievance Committee - Member: 1. Hinduja Foundries Ltd. Remuneration Committee - Chairman: 1. Hinduja Foundries Ltd. Remuneration Committee - Member: 1. The Bombay Dyeing and Manufacturing Company Ltd. 2. Shreyas Shipping & Logistics Ltd Executive Committee - Member: 1. The Bombay Dyeing and Manufacturing Company Ltd.
Number of shares held	4000
Relationship with other directors	Not Applicable

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DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Fifty Second Annual Report together with the audited accounts of the company for the financial year ended 31st March 2009.

FINANCIAL PERFORMANCE

(Rs lakhs)

Particulars	2008-09	2007-08
Profit before tax	806.13	640.05
Less: Provision for:		
- Current Tax	121.43	77.97
- Deferred tax	146.13	231.80
- Fringe Benefit Tax	9.55	7.80
Net Provision for Income Tax (earlier years)	7.65	(3.22)
Profit after tax	521.37	325.70
Add : Surplus brought forward from previous year	659.32	430.48
Less: Provision for Employee Benefits (earlier years)	-	(31.72)
Amount available for appropriation	1180.69	724.46
Appropriations:		
Transfer to Statutory Reserve	104.27	65.14
Surplus carried to balance sheet	1076.42	659.32

BUSINESS

During the year under review, the company's disbursement reached a new record level. The company disbursed **Rs.25637 lakhs** in hire purchase business as against Rs 20278 lakhs during the previous financial year. The collection efficiency has been 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.

DIVIDEND

With a view to conserve resources for future requirements, the Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2009.

DEPOSITS

The total deposits with the company as at 31st March 2009 stood at **Rs.3692 lakhs** as against Rs 6436 lakhs for the corresponding previous year.

As at the end of the financial year, 1169 public deposits amounting to Rs.359.13 lakhs were due for repayment but remained to be claimed or renewed. The Company has been reminding the depositors regularly about the maturity and out of the said deposits, 466 deposits amounting to Rs. 134.42 lakhs have since been claimed and repaid / renewed as per their instructions.

DIRECTORS

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

1. Sri A Shanmugasundaram
2. Sri M Srinivaasan

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Sri S Ragothaman, formerly with ICICI Ltd was co-opted as an additional director of the Company with effect from 30th June 2009. Sri S Ragothaman holds office up to the ensuing Annual General Meeting. The Company has received a notice in writing from a member signifying his intention to propose him as a candidate for the office of Director. A resolution proposing him as a Director of the Company is placed before the members for their approval at the ensuing Annual General Meeting.

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 52nd 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 2009 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.

CONSOLIDATED ACCOUNTS

The Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the Accounting Standard (AS-21) forms part of the Annual Report.

CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on Corporate Governance (including Management Discussion and Analysis Report) 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 the Annual Report.

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 12.50 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;