

 **SAKTHI FINANCE**  

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**AN EDIFICE BUILT ON TRUST**

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**54<sup>th</sup> ANNUAL REPORT  
2011**

 **SAKTHI FINANCE**  
**AN EDIFICE BUILT ON TRUST**

**BOARD OF DIRECTORS**

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

**SENIOR MANAGEMENT**

Sri. M.K. Vijayaraghavan *Sr.President (Finance)*  
Dr. S. Veluswamy *Sr.President (Operations)*  
Sri. K. Guruprasad *Vice President*  
Sri. K. Natesan *Vice President*  
Sri. G. Muniasamy *Sr.General Manager*  
Sri. N. Raveendran *Sr.General Manager*  
Sri. N. Radhakrishnan *General Manager*  
Smt. R. Geetha *General Manager*  
Sri. G. Sundar *General Manager*

**COMPANY SECRETARY**

Sri. S. Venkatesh

**REGISTERED OFFICE**

**SAKTHI FINANCE LIMITED**  
62, Dr. Nanjappa Road  
Coimbatore - 641 018  
Phone : (0422) 2231471 - 74, 4236200  
Fax : (0422) 2231915  
E-mail : sakthif\_info@sakthifinance.com

**BANKERS**

State Bank of India  
Bank of India  
State Bank of Travancore  
Central Bank of India  
The Lakshmi Vilas Bank Ltd  
The Karnataka Bank Ltd  
Canara Bank  
Indian Overseas 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  
No. 23/2, Viswa Paradise Apartments  
Second Floor, Kalidas Road  
Ramnagar, Coimbatore - 641 009

**INTERNAL AUDITOR**

Sri B. Muralidharan FCA  
Chartered Accountant  
226, T.V. Samy Road (East)  
R.S. Puram, Coimbatore - 641 002

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# SAKTHI FINANCE LIMITED

## NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty Fourth Annual General Meeting of the members of the Company will be held on Wednesday, 28th September 2011 at 4.30 p.m at Smt Padmavathi Ammal Cultural Centre, 1548, 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 2011 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 declare dividend on Equity Shares.
3. Sri S A Murali Prasad, Director retires by rotation and has expressed his desire not to seek reappointment.
4. To appoint a director in place of Sri S Ragothaman who retires by rotation and is eligible for reappointment.
5. To appoint M/s P N Raghavendra Rao & Co (ICAI Regn.No:003328S), 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 other terms with respect to reimbursement of 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

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

RESOLVED THAT in accordance with Section 94(2) and other applicable provisions, if any, of the Companies Act 1956 and the Articles of Association of the Company, the Authorized Share Capital of the Company be increased from ₹ 60,00,00,000 (Rupees Sixty Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each and 5,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each to ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each and 20,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each.

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

RESOLVED THAT in accordance with the provisions of Section 16(1) and other applicable provisions, if any, of the Companies Act 1956, the Memorandum of Association of the Company be and is hereby altered by deleting the existing Clause 5 and substituting in its place the following new Clause 5:

5. The Authorized Share Capital of the Company is ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each (Rupees Ten Only) and 20,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each (Rupees One Hundred only) 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(s), the following Resolution as a Special Resolution:

RESOLVED THAT in accordance with 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 altered by deleting the existing Article 3 and substituting in its place the following new Article 3:

3. The Share Capital of the Company is ₹ 75,00,00,000 (Rupees Seventy Five Crores only) divided into 5,50,00,000 Equity Shares of ₹ 10 each (Rupees Ten Only) and 20,00,000 Redeemable

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Cumulative Preference Shares of ₹ 100 each (Rupees One Hundred only) 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.

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the sub-section (1) of Section 163 and other applicable provisions, if any, of the Companies Act 1956, (including any statutory modification or re-enactment thereof for the time being in force), approval of the company be and is hereby accorded for keeping the Registers and Index of Members and Debenture Holders and copies of all Annual Returns prepared by the Company under Section 159 of the Companies Act 1956 together with the copies of all certificates and documents required to be annexed or attached thereto under Section 161 or any one or more of them be kept at the office of S.K.D.C Consultants Limited, the Registrars and Transfer Agents of the Company at "Kanapathy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

### 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. 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.6 to 9 is annexed.
3. As required under Clause 49(IV)(G) of the Listing Agreement, the relevant details of director seeking reappointment under Item No.4 is annexed.
4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m and 1.00 p.m upto the date of the Annual General Meeting.
5. The Register of Members and Share Transfer Books of the company will remain closed from Wednesday, 21st September 2011 to Wednesday, 28th September 2011, both days inclusive.
6. The dividend, if declared at the Annual General Meeting, will be paid after 28th September 2011 to those persons or their mandatees:
  - a. whose names appear as Beneficial Owners as at the end of the business hours on Tuesday, 20th September 2011 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - b. whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Transfer Agents on or before Tuesday, 20th September 2011.
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 years are requested to forward their claims to Registrar of Companies, Stock Exchange Building, Second Floor, 683 - 686, Trichy Road, Singanallur, Coimbatore - 641 005 in prescribed Form No.II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978.
- 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 1995-1997 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 became due for payment and no payment shall be made in respect of each such claim.

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- c. Any amount remaining unclaimed in respect of 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 warrants are requested to claim the warrants at an early date.
8. Shareholders are requested to provide Bank Account details such as Account No., IFSC Code and name of bank and branch to facilitate electronic transfer of dividend amount. The details may please be provided in the form given on page No. 47 of the Annual Report sent to members of the company well in time.

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by depositories for depositing dividend through National Electronic Fund Transfer (NEFT) to investors wherever Bank details are available.

In the absence of NEFT facilities, the Company will print the Bank account, if available, on the payment instrument for distribution of dividend.

The Company does not entertain any direct request from Members holding shares in electronic form for deletion / change in such Bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Members who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

9. Members are requested to
  - a. intimate to the Company's Registrar and Transfer Agents, SKDC Consultants Limited at "Kanapthy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006, changes, if any, in their registered address at an early date in case shares are held in physical form;
  - b. intimate to the respective Depository Participant, changes, if any, in their registered addresses at an early date, in case shares are held in electronic/dematerialized form;
  - c. quote their folio number / Client ID/DP ID in all correspondence; and
  - d. consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of name;

Registered Office  
62, Dr. Nanjappa Road  
Coimbatore - 641 018  
10th August 2011

By Order of the Board  
S Venkatesh  
Company Secretary

### **Important Communication to Members**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses in respect of their holdings in demat form through their Depository Participants concerned.

Members who hold shares in physical form are requested to fill in and forward the E-mail Address Registration Form given in Page No. 49 of this Annual Report to SKDC Consultants Limited, Registrar and Transfer Agents, "Kanapathy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006.

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

#### Item Nos.6 to 8

The present Authorized Share Capital of the Company is ₹60 Crores consisting of 5,50,00,000 Equity Shares of ₹10 each and 5,00,000 Redeemable Cumulative Preference Shares of ₹100 each. The present issued, subscribed and paid-up equity share capital of the Company is ₹30,10,69,810 consisting of 3,01,06,981 equity shares of ₹10 each.

With a view to facilitate increase of capital base, net worth and Capital Adequacy Ratio, the Board of Directors intend to issue Preference shares on private placement basis. To accommodate consequent increase in Share Capital, the Authorized Share Capital requires to be increased with additional 15,00,000 Redeemable Cumulative Preference Shares of ₹100 each. The revised Authorized Share Capital will be ₹75 Crores divided into 5,50,00,000 Equity Shares of ₹10 each and 20,00,000 Redeemable Cumulative Preference Shares of ₹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.6.

As a consequence, the Capital Clause in the Memorandum of Association (Clause 5) and the Articles of Association (Article 3) are required to be altered and the necessary Resolutions are proposed under Item Nos. 7 and 8 respectively for the approval of the Members.

The Board of Directors recommend the passing of the Resolutions by the members.

None of the Directors of the Company is, in any way, concerned or interested in the resolutions.

#### Item No.9

Pursuant to Section 163 (1) of the Companies Act 1956, the Company is required to keep its Registers and Index of Members and Debenture holders and copies of all Annual Returns prepared under Section 159 of the Companies Act 1956 at the Registered Office of the Company. However, these documents can also be kept at any other place within the city, town or village in which the Registered Office of the company is situated, with the approval of the members.

The Company's Registrar and Transfer Agents viz. SKDC Consultants Limited (SKDC) has informed that they have shifted their office to "Kanapthy Towers", Third Floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore - 641 006.

This special Resolution is being passed to take the approval of the members to keep these records at the office of Registrar and Share Transfer Agent viz. SKDC Consultants Limited.

The Board of Directors of the company recommends the Special Resolution for the approval of members.

None of the Directors of the Company is, in any way, concerned or interested in the resolutions.

Registered Office  
62, Dr. Nanjappa Road  
Coimbatore - 641 018

10th August 2011

By Order of the Board  
S Venkatesh  
Company Secretary

**DETAILS OF DIRECTOR SEEKING REAPPOINTMENT AT THE 54TH ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT**
**Item No.4**

<b>Name of the Director</b>	<b>S Ragothaman</b>
Director Identification Number (DIN)	00042395
Date of birth and age	10th May 1946, 65 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	Hinduja Foundries Ltd Shreyas Relay Systems Ltd Shreyas Shipping & Logistics Ltd The Bombay Dyeing & Manufacturing Company Ltd Xpro Global Ltd Xpro India Ltd
Memberships /Chairmanships of committee across public companies	<b>Audit Committee - Chairman:</b> 1. The Bombay Dyeing & Manufacturing Company Ltd 2. Xpro India Ltd 3. Shreyas Relay Systems Ltd <b>Audit Committee - Member:</b> 1. Hinduja Foundries Ltd 2. Shreyas Shipping & Logistics Ltd <b>Investor's Grievance Committee - Member</b> 1. Hinduja Foundries Ltd <b>Remuneration Committee - Chairman:</b> 1. Hinduja Foundries Ltd <b>Remuneration Committee - Member:</b> 1. The Bombay Dyeing & Manufacturing Company Ltd 2. Shreyas Shipping & Logistics Ltd <b>Executive Committee - Member</b> 1. The Bombay Dyeing & Manufacturing Company Ltd
No. of equity shares held	4,000
Relationship with other directors	None

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### DIRECTORS' REPORT

#### To the Members

Your directors are pleased to present their Fifty Fourth Annual Report together with the audited accounts of the company for the financial year ended 31st March 2011.

#### FINANCIAL PERFORMANCE

(₹ lakhs)

Particulars	2010-11	2009-10
<b>Profit before tax and exceptional items</b>	<b>1228.32</b>	1052.62
Less : Exceptional items – General Provision on Standard Assets	<b>135.12</b>	–
<b>Profit before tax</b>	<b>1093.20</b>	1052.62
Less: Provision for:		
– Current Tax	<b>255.43</b>	175.61
– MAT credit entitlement	<b>(131.86)</b>	–
– Deferred tax	<b>160.64</b>	249.97
Net Provision for Income Tax (earlier years)	<b>15.40</b>	(1.15)
<b>Profit after tax</b>	<b>793.59</b>	628.19
Add : Balance brought forward from previous year	<b>1578.96</b>	1076.41
<b>Amount available for appropriation</b>	<b>2372.55</b>	1704.60
<b>Appropriations</b>		
Proposed Dividend on Equity Shares	<b>301.07</b>	–
Tax on Proposed Dividend	<b>48.84</b>	–
Transfer to Statutory Reserve	<b>158.72</b>	125.64
Transfer to General Reserve	<b>1500.00</b>	–
Surplus carried to balance sheet	<b>363.92</b>	1578.96
	<b>2372.55</b>	1704.60

#### BUSINESS

During the year under review, the company's disbursement set a new record. The company disbursed ₹35127 lakhs in hire purchase business as against ₹29,609 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. An amount of ₹1500 lakhs has been transferred to General Reserve.

#### DIVIDEND

Your Directors are pleased to recommend a dividend of ₹1 per share (10% on the face value of equity share of ₹10 each) for the year ended 31st March 2011. The dividend, if approved by the members, would involve a cash outflow of ₹349.91 lakhs including dividend tax.

#### DEPOSITS

The total deposits with the company as at 31st March 2011 stood at ₹4829 lakhs as against ₹5,239 lakhs for the corresponding previous year.

As at the end of the financial year, 713 public deposits amounting to ₹227.77 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, 172 deposits amounting to ₹63.21 lakhs have since been claimed and repaid / renewed as per their instructions.

# SAKTHI FINANCE LIMITED

## **DIRECTORS**

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 S Ragothaman

Sri S A Muraliprasad, Director has expressed his desire not to seek reappointment as a director of the company.

The profile of Sri S Ragothaman, Director as required under Clause 49(IV)(G) of the Listing Agreement entered into with stock exchanges is given in the Annexure to the Notice of the 54th Annual General Meeting.

## **AUDIT COMMITTEE**

The Audit Committee has been functioning with the following non-executive Independent directors:

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

## **SUBSIDIARY COMPANY**

The Board of Directors at their meeting held on 5th February 2011 have approved a resolution to delink the subsidiary company, Sakthi Properties (Coimbatore) Limited from our company. Accordingly, Sakthi Properties (Coimbatore) Limited ceased to be a subsidiary of our company with effect from 5th February 2011.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

As required under Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report forms part of this report.

## **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 forms 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 : ₹ 2.27 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;

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- 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 (ICAI Reg.No.003328S) 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 limits specified under Section 224 (1B) of the Companies Act 1956. Members are requested to appoint M/s P N Raghavendra Rao & Co, as Statutory Auditors of the company and fix their remuneration for the financial year 2011-12.

### ACKNOWLEDGEMENTS

Your Directors wish to place on record the valuable assistance and excellent 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  
30th May 2011

**M Manickam**  
Chairman