

Then the Chairman made his speech covering the Indian economy, Automobile Industry, working results of the company and the Company's prospects. After the conclusion of his speech, he explained to the members on the e-voting process. He informed that in terms of the provisions of the Companies Act 2013 and the rules made thereunder and Regulation 44 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company provided remote e-voting facility and for those members who had not exercised their vote through remote e-voting facility, facility to cast their vote through ballot was provided at the venue of the AGM.

All the following resolutions as set out in the Notice of the AGM 10th August 2016 were transacted at the meeting.

- a. Adoption of Audited financial statements of the Company for the financial year ended 31st March 2016, along with the reports of Board of Directors and Auditors
- b. Confirmation of Interim Dividend on Preference Shares
- c. Declaration of dividend on Equity Shares
- d. Re-appointment of Dr. M Manickam, as a Director liable to retire by rotation.
- e. Ratification of appointment of M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore (Firm Registration No 003328S) as Statutory Auditors of the Company from the conclusion of this meeting till the conclusion of the 60th Annual General Meeting of the Company on a remuneration as recommended by the Audit Committee.
- f. Alteration of Authorised Share Capital of the Company from ₹ 75 crore to ₹ 100 crore consisting of 7,00,00,000 equity shares of ₹ 10 each and 30,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each.
- g. Alteration of Capital Clause of Memorandum of Association for increasing the authorized share capital from ₹ 75 crore to ₹ 100 crore consisting of 7,00,00,000 equity shares of ₹ 10 each and 30,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each.
- h. Alteration of Article relating to Share Capital in the Articles of Association to be as per Memorandum of Association.
- i. Issue of Private Placement of Secured or Unsecured, Redeemable Non-Convertible Debentures and/or other debt securities for an amount not exceeding ₹ 750 crore, but within the overall borrowing powers of the Company.
- j. Issue of Redeemable Cumulative Preference Shares for an amount up to ₹ 30 crore.



# SAKTHI FINANCE

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The Chairman informed the members that Sri K. Murali Mohan FCA, Chartered Accountant, has been appointed as scrutinizer for conducting the remote e-voting and voting process at the AGM.

Chairman invited queries from members regarding the audited accounts and operations of the Company during 2015-16. One shareholder asked for an increased rate of dividend and further equity issue. Chairman gave a suitable reply to the shareholder and also thanked him.

Chairman further informed the shareholders that the voting results along with the consolidated scrutinizer's report would be placed on the website of the Company, [www.sakthifinance.com](http://www.sakthifinance.com) and would also be communicated to the BSE Limited within 48 hours of the conclusion of the meeting.

There being no other agenda, Chairman thanked the members present and declared the meeting as concluded at 5.10 p.m.

We also enclose a copy each of the Annual Report for the year ended 31st March 2016 and the speech delivered by the Chairman at the AGM.

We request to kindly take the above details and documents on record.

Yours faithfully  
For Sakthi Finance Limited

  
S. Venkatesh  
Company Secretary



Enc:(2)



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59<sup>th</sup> ANNUAL  
REPORT | 2016



# SAKTHI FINANCE

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## **BOARD OF DIRECTORS**

Dr. M. Manickam *Chairman*  
Sri. M. Balasubramaniam  
*Vice Chairman and Managing Director*  
Sri. M. Srinivaasan  
Sri. A. Shanmugasundaram  
Dr. A. Selvakumar  
Sri. P.S. Gopalakrishnan  
Smt. Priya Bhansali  
Sri. K.P. Ramakrishnan

## **CHIEF FINANCIAL OFFICER**

Sri. M.K. Vijayaraghavan

## **COMPANY SECRETARY**

Sri. S. Venkatesh

## **REGISTERED OFFICE**

### **SAKTHI FINANCE LIMITED**

CIN : L65910TZ1955PLC000145  
62, Dr. Nanjappa Road  
Coimbatore - 641 018  
Phone : (0422) 2231471 - 74, 4236200  
Fax : (0422) 2231915  
E-mail : sakthif\_info@sakthifinance.com  
Website: www.sakthifinance.com

## **REGISTRARS AND SHARE TRANSFER AGENTS**

### **SKDC CONSULTANTS LIMITED**

"Kanapathy Towers", Third Floor  
1391/A-1, Sathy Road, Ganapathy  
Coimbatore - 641 006  
Phone : (0422) 6549995, 2539835-836  
Fax : (0422) 2539837  
E-mail : info@skdc-consultants.com

## **DEBENTURE TRUSTEE**

Catalyst Trusteeship Limited  
(formerly GDA Trusteeship Limited)  
Catalyst House, Plot No. 5  
Bhusari Colony (Right), Paud Road  
Pune - 411 038  
Tel : (020) 25280081  
Fax : (020) 25280275  
E-mail : dt@ctltrustee.com

## **BANKERS**

State Bank of India  
Central Bank of India  
The Lakshmi Vilas Bank Ltd  
State Bank of Travancore  
Bank of India  
Indian Overseas Bank  
The Karnataka Bank Ltd  
Canara Bank

## **FINANCIAL INSTITUTION**

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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## BOARD'S REPORT

To the Members

Your Directors are pleased to present their 59th Annual Report together with the audited accounts of the company for the financial year ended 31st March 2016.

### FINANCIAL PERFORMANCE

(₹ lakh)

Particulars	2015-16	2014-15
<b>Profit before tax</b>	<b>2039.93</b>	2128.96
Less: Provision for Taxation:		
- Current Tax	<b>863.07</b>	806.18
- Deferred tax	<b>(75.71)</b>	(259.09)
- Net Provision for tax (earlier years)	<b>-</b>	(2.77)
<b>Profit after tax</b>	<b>1252.57</b>	1584.64
Surplus brought forward from previous year	<b>2112.13</b>	1567.14
Transfer from Revaluation Reserve	<b>46.06</b>	-
<b>Amount available for appropriation</b>	<b>3410.76</b>	3151.78
<b>Appropriations</b>		
Transfer to Statutory Reserve	<b>250.51</b>	316.93
Dividend on Preference Shares	<b>104.34</b>	100.76
Tax on Preference Dividend	<b>21.24</b>	20.15
Proposed Dividend on Equity Shares	<b>500.00</b>	500.00
Tax on Equity Dividend	<b>101.79</b>	101.81
Transfer to Debenture Redemption Reserve	<b>960.00</b>	-
<b>Balance carried over to Balance Sheet</b>	<b>1472.88</b>	2112.13
<b>Total</b>	<b>3410.76</b>	3151.78

### BUSINESS

For the year under review, the company disbursed ₹ 52562 lakh in hire purchase operations as against ₹ 50266 lakh during the previous financial year. The collection efficiency has been good. Your directors hope to achieve better business disbursements and profitability in the years to come.

### CHANGE IN NATURE OF BUSINESS, IF ANY

During the year, there was no change in the nature of business of the company.

### DIVIDEND

#### Preference Shares

The Board of Directors have, at their meeting held on 12th March 2016, declared an interim dividend of ₹10 per share on 10% Redeemable Cumulative Preference Shares of ₹100 each for the financial year ending 31st March 2016 amounting to ₹125.58 lakh including dividend distribution tax amount of ₹21.24 lakh on *pro rata* basis.

#### Equity Shares

Your Directors are pleased to recommend a dividend of ₹1 per equity share (10% on the face value of equity share of ₹10 each) for the year ended 31st March 2016 amounting to ₹601.79 lakh including dividend distribution tax amount of ₹101.79 lakh.

### TRANSFER TO RESERVES

There is no amount proposed to be transferred to general reserve.

### ISSUE OF PREFERENCE SHARES (NEW)

During the current year, 3,02,450 10% Redeemable Cumulative Preference Shares of ₹100 each have been issued on private placement basis aggregating to ₹302.45 lakh. Further, 3,09,700 10% Redeemable

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Cumulative Preference Shares of ₹100 each which were issued on private placement basis during the year 2012 aggregating to ₹309.70 lakh has been redeemed out of the proceeds of the fresh issue of preference shares.

As at 31st March 2016, the company has a paid-up preference share capital of **₹1050.00** lakh comprising of 10,50,000 10% Redeemable Cumulative Preference Shares of ₹100 each.

### DEPOSITS

The total deposits with the company as at 31st March 2016 stood at **₹16,242.60** lakh as against ₹16,513 lakh as at the end of the previous year.

As at the end of the financial year, 1,088 public deposits aggregating to ₹709.91 lakh were due for repayment but remained unclaimed. The Company has been reminding the depositors regularly about the maturity and out of the said deposits, 252 deposits amounting to ₹190.83 lakh have since been claimed and repaid / renewed as per their instructions.

### PUBLIC ISSUE OF SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES FOR ₹200 CRORE

The Company made a public issue of Secured, Redeemable, Non-Convertible Debentures (NCDs) of ₹1,000 each up to ₹100 crore, with an option to retain over subscription up to ₹100 crore, aggregating to ₹200 crore. The NCD issue opened on 7th April 2016 and closed on 6th May 2016. The Company received a subscription of ₹164.87 crore. The Company made allotment of 16,48,708 NCDs to the applicants on 18th May 2016. The NCDs have been listed and admitted for trading with BSE Limited with effect from 23rd May 2016.

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### 1. Retiring by rotation

In accordance with the provisions of Section 152(6) of the Companies Act 2013, Dr. M Manickam (DIN: 00102233) will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers himself for reappointment. The Board recommends his reappointment.

#### 2. Changes in Key Managerial Personnel

Dr.S.Veluswamy, resigned from the post of Chief Financial Officer (CFO) with effect from 14th November 2015 and continues as Senior President (Operations). The Board has also appointed him as a Key Managerial Personnel.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Sri. M.K. Vijayaraghavan, Senior President (Finance and Corporate Services) as Chief Financial Officer (CFO) of the Company with effect from 14th November 2015.

In terms of Section 203 of the Companies Act 2013, Sri M Balasubramaniam, Vice Chairman and Managing Director, Sri M K Vijayaraghavan, Chief Financial Officer, Dr S Veluswamy, Senior President (Operations) and Sri S Venkatesh, Company Secretary are the Key Managerial Personnel (KMP) of the Company.

### AUDIT COMMITTEE

The Audit Committee has been functioning with the following three non-executive directors of which two are Independent Directors.

1. Dr A Selvakumar, Chairman
2. Sri A Shanmugasundaram, Member
3. Sri M Srinivaasan, Member

### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required under Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, a report on Management Discussion and Analysis Report forms part of this report.

### CORPORATE GOVERNANCE REPORT

As required under Regulation 34(3) and Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, 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 regulations forms part of the Annual Report.

#### **DISCLOSURE AS PER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT 2013**

The company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013 and the rules framed under it.

During the financial year 2015-16, the company has not received any complaint on sexual harassment.

#### **DISCLOSURES REQUIRED UNDER THE COMPANIES ACT 2013 AND THE LISTING REGULATIONS**

The information required to be disclosed under the Companies Act 2013 and the Listing Regulations is set out in the **Annexure-I** and forms part of this report.

#### **ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS**

The Company has put in place internal financial controls which are adequate and are operating effectively. The controls are adequate for ensuring the orderly and efficient conduct of the business, including adherence to the Company's policies, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134(5) of the Companies Act 2013, your directors confirm, to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b. they have selected such accounting policies and applied them consistently and made judgments 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. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. they have prepared the annual accounts on a going concern basis;
- e. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
- f. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The CSR Policy of the Company and the details about the initiatives taken by the Company on CSR during the year as per the Companies (Corporate Social Responsibility Policy) Rules 2014 have been disclosed in **Annexure-II**. Further, details regarding composition of Corporate Social Responsibility Committee and other details are provided in the Corporate Governance Report which forms part of this report.

#### **BOARD EVALUATION**

The performance evaluation of the Board, its Committees and individual directors was conducted and the same was based on questionnaire and feedback from all the Directors on the Board as a whole, Committees and self-evaluation.

Directors, held separate discussions with each of the Directors of the Company and obtained their feedback on overall Board effectiveness as well as each of the other Directors.

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Based on the questionnaire and feedback, the performance of every director was evaluated in the meeting of the Nomination and Remuneration Committee (NRC). The meeting of NRC also reviewed performance of the Managing Director on goals (quantitative and qualitative) set at the beginning of the year in April 2015.

A separate meeting of the Independent Directors ("Annual ID meeting") was convened, which reviewed the performance of the Board (as a whole), the non-independent directors and the Chairman. Post the Annual ID meeting, the collective feedback of each of the Independent Directors was discussed by the Chairman of the NRC with the Board's Chairman covering performance of the Board as a whole, performance of the non-independent directors and performance of the Board's Chairman.

Some of the key criteria for performance evaluation are as follows:

Performance evaluation of Directors:

- Attendance at Board / Committee Meetings

- Contribution at Board / Committee Meetings

- Guidance to management outside of Board / Committee meetings

Performance evaluation of Board and Committees:

- Degree of fulfilment of key responsibilities

- Board structure and composition

- Establishment of Committee's responsibilities

- Effectiveness of Board processes and information

- Efficacy of communication with external stakeholders

### AUDITORS

#### 1. Statutory Auditors

M/s P N Raghavendra Rao & Co (ICAI Reg.No.003328S) were appointed as statutory auditors of the Company at the 57th Annual General Meeting to hold office up to the conclusion of the 60th Annual General Meeting, subject to the annual ratification of the appointment by the members. They have confirmed their eligibility under Section 141 of the Companies Act 2013 and the rules framed under the Act for continuation of their term.

#### 2. Secretarial Auditors

The Company appointed M/s. S Krishnamurthy & Co, Practicing Company Secretaries, Chennai to carry out Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year 31st March 2016 is enclosed as **Annexure- III**.

The clarification to the observations made by the Statutory Auditors and Secretarial Auditor is given below:

The Company had gone in for change of accounting software from the earlier software developed in-house, to newly bought-out software. Due to the migration to the new software, the checks and balances with regard to verification of validity of accounting figures generated from the new software is taking additional time. Because of this, there has been delay in compilation of the various returns like NBS-1, NBS-2, NBS-3, NBS-6 and ALM being submitted to RBI periodically. The company is now taking efforts to streamline the operational procedure and data compiling operations under the new software during the current year and expects to submit the above returns within the time limit prescribed by RBI in future.

The shortfall in maintenance of liquid assets in government securities is reported by reckoning the investment at acquisition cost instead of market price as prescribed by RBI. The correct position in this regard was brought to the notice of RBI and they have accepted the company's contention. However, RBI has advised the company to incorporate the figures with respect to market price in future.

The Board has appointed M/s. S Krishnamurthy & Co, Practicing Company Secretaries, Chennai as the Secretarial Auditors for the financial year 2016-17. Necessary consent has been received from them to act as Secretarial Auditors.



**SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURT**

There are no significant and material orders passed by the regulators or courts or tribunals affecting the going concern status of your company and its operations in future.

**MATERIAL CHANGES AND COMMITMENTS**

There are no material changes and commitments which occurred during the period under review affecting the Company's Financial position.

**PARTICULARS REQUIRED UNDER SECTION 134 OF THE COMPANIES ACT 2013**

Particulars as required under Section 134(3)(m) of the Companies Act 2013 read with Companies (Accounts) Rules 2014 are given below:

- 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 : ₹ 48.96 lakh

The company has no employee drawing remuneration more than the limits prescribed under Section 197 of the Companies Act 2013.

**ACKNOWLEDGEMENT**

Your Directors wish to place on record the valuable assistance and excellent co-operation extended by the members, banks, financial institutions, rating agencies, Reserve Bank of India and other regulatory 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 endeavors.

For and on behalf of the Board

10th August 2016  
Coimbatore

**M Manickam**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDIAN ECONOMY

India's Gross Domestic Product (GDP) grew at 7.9 per cent in the fourth quarter of 2015-2016, contributing for an overall growth of 7.6 per cent for the entire financial year and maintained its position as the fastest - growing major economy, according to the Central Statistical Office (CSO). Growth in agriculture and industry increased by 1.1 per cent as compared to a decline of 0.2 per cent in the previous year. Services sector grew by 9.2 per cent as compared to 10.30 per cent in the previous year. Index for Industrial Production (IIP) increased by 2.4 per cent as compared to 2.8 per cent during the financial year 2015. The main factor influencing IIP growth in the financial year 2016 include a 2.2 per cent increase in mining sector compared to 1.4 per cent in previous year. The manufacturing sector increased by 2 per cent as compared to 2.3 per cent in 2015 and electricity services increased by 5.6 per cent as against 8 per cent in financial year 2015. The consumer durables grew by 12.4 per cent as compared to negative growth of 12.5 per cent in the financial year 2015.

### OPPORTUNITIES

The overall sale of commercial vehicles registered a growth of 11.51 per cent during the financial year as against a decline of 8.40 per cent in the previous year. The Medium and Heavy Commercial (M&HCV) registered a growth of 29.91 per cent, while Light Commercial Vehicle (LCV) grew marginally by 0.30 per cent. The Society of Indian Automobile Manufacturers (SIAM) expects the growth at 6 to 8 per cent for the current year in view of the better outlook for the economy, good monsoon and implementation of seventh pay commission recommendations.

The total estimated market potential of commercial vehicles is put at Rs 2160 billions. Our company is mainly engaged in financing of pre-owned commercial vehicles. The pre-owned commercial vehicles are only affordable for small and aspiring owner cum driver to become small road transport operators. With expected good monsoon, the movement of agricultural commodities will substantially increase on account of rise in agricultural output which in turn will increase the fortunes of road transport industry to which our company is directly linked.

### THREATS

Regulatory changes in the NBFC and ancillary sectors as well as tighter NPA norms continue to pose a threat to the company's business opportunities.

### BUSINESS OUTLOOK

Good agricultural output and improved purchasing power pursuant to rise in earnings through pay revisions will tend to propel the economic activity by which the road transport sector is expected to benefit substantially.

### PERFORMANCE AND FINANCIAL REVIEW

During the financial year under review, the company's Hire Purchase financing disbursements was at ₹ 52562 lakh as against ₹ 50266 lakh in the corresponding previous financial year. As on 31st March 2016, the total deposits with the company stood at ₹ 16243 lakh.

The gross income for the financial year 2015-16 stood at ₹ 17207 lakh and the net profit after tax for the year was at ₹ 1253 lakh. The company provided towards depreciation and amortisation an amount of ₹ 285 lakh in the statement of profit and loss.

### RISKS AND CONCERNS

Our Company, like any other NBFC, is also exposed to normal industry risks such as credit, market, interest and operational risks. These risks are effectively mitigated by taking prudent business and risk management policies. The risk management policies are periodically reviewed by the Risk Management Committee and Audit Committee so that they are in line with our Company's strategic needs.

### INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Our Company has a sound and adequate system of internal controls to monitor and regulate all the activities. The Company complies with internal control policies and procedures and other regulatory requirements.