



Annual Report

1998 - 99

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Shriram Transport Finance Company Limited



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BOARD OF DIRECTORS

CHAIRMAN
Sri. G.V. Raman

PRESIDENT
Sri. R. Sridhar

MANAGING DIRECTOR
Sri. A.V.S. Raja

COMPANY SECRETARY
Sri. J. Radhakrishnan

DIRECTORS
Sri. R. Nagarajan
Sri. G. Rajaretnam
Sri. V. Sriram
Sri. S. Ramasubramaniam
Sri. Ravi C. Talwar
Sri. Lalit P. Mehta
Smt. B. Kamala
Sri. S. Rajaratnam
Sri. B.D. Shah
Sri Amal Datt Dhru
(Nominee of GLIC Ltd)
Dr T S Sethurathnam
(Nominee of IREDA Ltd)

AUDITORS
M/s. G.D. Apte & Co.
Chartered Accountants

SECURITY TRANSFER AGENTS
Integrated Enterprises (India) Ltd.,
"Integrated House"
46/3, Vijayaraghava Road, T.Nagar,
Chennai - 600 017. Phone : 8238891 - 94

BANKERS
Canara Bank
UCO Bank
Dena Bank
Punjab and Sind Bank
Allahabad Bank
The Nedungadi Bank Ltd
State Bank of Hyderabad
State Bank of India
Union Bank of India

REGD. OFFICE : 123, Angappa Naicken Street, Chennai - 600 001. Phone : 5341431

SECT. OFFICE : 4th Floor, Mookambika Complex, 4, Lady Desika Road, Mylapore,
Chennai - 600 004. Phone : 4990356, 4990960, Fax : 4993272

ADMN.OFFICE : 101-105, Shiv Chambers, 1st Floor, 'B' Wing, Sector - 11, C B D Belapur,
Navi Mumbai 400 614. Phone : 7580171/7580172 Fax : 7580176

BRANCHES include : Agra, Ahmedabad, Akola, Alwar, Allahabad, Amalapuram, Anantapur, Aurangabad, Azadpur, Bangalore, Baroda, Belgaum, Bellary, Bhilai, Bhimavaram, Bhopal, Bhubaneswar, Borivili, Calcutta, Calicut, Chandigarh, Chembur, Chennai, Coimbatore, Dhanbad, Durgapur, Ernakulam, Ghaziabad, Goa, Gulbarga, Guntur, Gwalior, Hassan, Hubli, Indore, Jabalpur, Jaipur, Jamshedpur, Jodhpur, Kakinada, Kannur, Kanpur, Kolhapur, Kollam, Kota, Kurnool, Lucknow, Ludhiana, Madurai, Mangalore, Masjid, Matunga, Mysore, Nagpur, Nandyal, Nariman Point, Nasik, Nellore, New Delhi, Ongole, Palakkad, Pimpri, Pondicherry, Pune, Raipur, Rajahmundry, Rajkot, Ranchi, Rourkela, Salem, Secunderabad, Shimoga, Surat, Trichur, Trichy, Trivandrum, Udipi, Vashi, Vellore, Vile Parle, Vijayawada, Vizag, Vizianagaram, Warangal.

Securities are listed in the following Exchanges and the annual listing fee have been duly paid

Madras Stock Exchange Ltd., Exchange Building, P B No. 183, 11, Second Line Beach, Chennai - 600 001.

The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

Bangalore Stock Exchange Ltd., Stock Exchange Towers, No. 51, 1st Cross, J C Road, Bangalore - 560 027.

The Stock Exchange, Ahmedabad, Kamadhenu Complex, Opp Sahajanand College, Panjara Pole, Ahmedabad - 380 015.

National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.



////////////////////////////////////// SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in submitting the Twentieth Annual Report of the Company with the audited accounts for the year ended 30th June, 1999.

FINANCIAL RESULTS

	Rs.in lacs For the year ended 30.06.99
Profit before depreciation and taxation	2955.79
Less : Depreciation	2512.22
Profit before taxation	443.57
Less : Provision for taxation	49.86
Profit after taxation	393.71
Add : Balance brought forward from previous year	602.12
Profit available for appropriation	995.83

Appropriations :

Statutory Reserve	80.00
General Reserve	20.00
Proposed Dividend @ 15% p.a. on Cumulative Redeemable Preference Shares (pro-rata from the respective dates of allotment)	0.99
Tax on Dividend	0.11
Balance carried to Balance Sheet	894.73
	995.83

YEAR IN RETROSPECT

Contrary to expectations, during the year under review also, the industries turned out a lack lustre performance and the economy continued to be in the grip of recession. The economic slow down had a crippling effect for several companies in the sector.

Even during this testing period, your Company not only weathered the storm but emerged stronger and healthier than before. Professional approach of the company, the extent of its retail reach, unstinted confidence of investors coupled with adaptability to changing economic scenario have contributed a lot to overcome the difficult period.

Your Directors have the privilege to state that your Company has successfully met all its commitments towards fixed deposits, without any default or delay, by effective control of the collection and deployment of resources of the Company.



SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

OUTLOOK

The Current Financial Year has begun on an encouraging note. The core industries have posted better financial results. The production and sales of commercial vehicles, which probably could be termed as an important parameter for your company which is primarily engaged in financing of commercial vehicles, have shown an uptrend during the later part of the year under review.

The industrial sector therefore appears to be poised for a revival. The control by the government of inflationary pressures in economy and a definite evidence of pick up in demand certainly point to a better economic environment and consequently better operating conditions for your company.

OPERATIONS

The Gross Profit for the year rose to Rs.2955.79 lacs as compared to Rs.2390.57 lacs of the previous year representing an increase of 23.64%. The gross stock on hire and leased assets as on 30th June 1999 were Rs. 23735.88 lacs and Rs. 7520.36 lacs respectively.

As per the offer document for issue of the 45,34,370 Secured Fully Convertible Debentures which were issued in the year 1997, the Part B of each of the debentures were converted at par into 2 equity shares of Rs.10/- each on 26th June, 1999. Part C of the debentures are due for conversion at par into 2 equity shares of Rs. 10/- each on 26.06.2000.

Despite the national economic recession, your Company has managed its affairs reasonably well. While your Company has managed to do so, the need for shoring up its resources to be ready for the opportunities and challenges in the immediate future has also to be addressed. Therefore, after a great deal of deliberation, your Directors have reluctantly and with much regret, felt compelled to recommend skipping of Equity dividends for the year under review also. However, the Directors have recommended a pro-rata dividend @ 15% p.a. on the Privately Placed Preference Shares. Your Directors are confident that you will understand the compulsions of the situation, and request you to endorse their recommendation, bearing in mind the continued welfare of the Company.

RESOURCES

The deposits held by the Company as on 30.06.99 stood at Rs. 7392.89 lacs as against Rs. 19849.89 lacs as on 30.06.98.

The Deposit Portfolio of the company as on 2.1.98 was Rs.22895 lacs. Under RBI Guidelines, the deposit level was required to be brought down by one-third at the end of every calendar year. The company has been able to bring down the deposit level to Rs. 4227 lacs as on 31.12.99. The reduction in deposit level has been achieved more than the requirement of the RBI.

As of 30th June 1999 there were 4892 deposits aggregating to Rs 577.81 lacs which had matured but remained unclaimed. As on that date, there were no deposits which were claimed but not paid by the company. After close follow up with the depositors, the figure has currently come down to 2787 deposits amounting to Rs. 302.35 lacs. Steps are continuously being taken for the repayment/ renewal of these deposits.

In spite of adverse conditions in the economy your company continued to enjoy immense investor confidence. A sum of Rs 242.55 crores has been raised till December '99 through private placement of Secured Non-Convertible Debentures.

Besides, the company has also allotted till December '99, Cumulative Redeemable Preference Shares by way of private placement to the tune of Rs 4.93 crores.



SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

RBI DIRECTIONS

Through continuous monitoring and control, your Company complied with the regulations laid down by the Reserve Bank of India relating to Income recognition, provisioning for non-performing assets, etc.

Certain assets have been classified as non-performing and written off to comply with the requirements of the RBI Norms. However, continuous steps are being taken for the recovery of the amounts to the maximum possible extent.

The Company has complied with the requirements of SLR investments in Government approved securities as on 15.09.99 (Vide Note No. 3 of Schedule O).

The Company is maintaining the Capital adequacy ratio as required by the RBI.

Y2K

We wish to state that the Company had a successful and smooth roll over to Year 2000 without any obstacle.

DEMATERIALISATION OF SHARES

Your Company entered into a tripartite agreement with National Securities Depository Limited and Integrated Enterprises (India) Limited to facilitate the holding and trading of its Shares in electronic form. The Shareholders may forward their requests for dematerialisation of Shares to Integrated Enterprises (India) Limited, 'Integrated House', 46/3, Vijayaraghava Road, T Nagar, Chennai 600 017, who are the Company's Registrar and Share Transfer Agents.

DIRECTORATE

During the year, SICOM Limited has withdrawn their Nominee Smt Manasee A Kurlekar from the Board.

Dr T S Sethurathnam Nominee from IREDA Limited has joined the Board with effect from 29.01.2000.

Sri S Ramasubramaniam, Sri Ravi C Talwar, Sri Lalit P Mehta and Sri D A Gadgil, Directors retire by rotation.

Sri S Ramasubramaniam, Sri Ravi C Talwar and Sri Lalit P Mehta, being eligible offer themselves for re-election.

AUDITORS

M/s. G D Apte & Co. Chartered Accountants, Pune, retire at the conclusion of the Twentieth Annual General Meeting and are eligible for re-appointment. The Company has received a Certificate from them to the effect that the appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Resolution is being proposed authorising the Board to appoint Branch Auditors.

AUDITORS' REPORT

Para 2(g) of the Auditors' Report

The Company is taking steps to reconcile the said accounts with the parties. The consequential effect, if any, of the same is not expected to be significant.

AUDITORS' REPORT

We report that we have audited the attached Balance Sheet of Shriram Transport Finance Company Limited as at 30th June, 1999 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto, in which are incorporated the audited statements of Western region and two Subregions of Southern Region and other Offices audited by us, Eastern, Northern and 8 Sub-regions of Southern region as audited by the Branch Auditors of the said regions, and report that:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we enclose in the annexure a statement on the matters specified in the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet and Profit and Loss Account are in compliance with the accounting standards referred to the sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
 - (e) Reports including report on compliance of Prudential Norms prescribed by Reserve Bank of India and compliance of provisions of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 of the Branch Auditors of the Eastern, Northern and 8 Subregions of Southern Region have been forwarded to us and have been considered and relied upon by us in preparing our Report.
 - (f) The recoveries towards share of common expenses from other companies are based on relevant figures as certified by the Management of the respective companies.
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with notes on accounts and subject to;

Note No.7(iii) of Schedule "O" regarding non reconciliation and pending scrutiny and adjustment of items specified therein, the consequential effect on the accounts which is not ascertained.

give the information required by the Companies Act, 1956, in the manner so required and the Balance Sheet gives a true and a fair view of the state of affairs of the Company as of 30th June, 1999, while the Profit and Loss Account gives a true and fair view of the Profit for the year ended on that date.

For **M/s. G.D.APTE & Co.**
Chartered Accountants

C. M. DIXIT
Partner

Chennai
23rd February, 2000

ANNEXURE TO THE AUDITORS' REPORT

- (i) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets. As informed to us, the Fixed Assets have been physically verified by the management and no discrepancies have been noticed on such verification.
- (ii) None of the Fixed Assets have been revalued during the year.
- (iii) The Company does not hold any finished goods, stores, spare parts or raw-materials. Hence Clauses iii, iv, v and vi of paragraph 4(A) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988, are not applicable.
- (iv) The Company has taken deposits and loans from Companies and other parties which are required to be listed in the register maintained under Section 301 of the Companies Act, 1956 and the rate of interest and other terms and conditions of such deposits and loans are not *prima facie* prejudicial to the interest of the Company. There are no Companies under the same management as defined under sub section (1-B) of the Companies Act, 1956.
- (v) In respect of Secured / Unsecured Loans granted to Companies, Firms or other parties which are required to be listed in the register maintained under section 301 of the Companies Act, 1956, as informed to us the rate of Interest (wherever applicable) and other terms and conditions of such loans are not *prima facie* prejudicial to the interest of the Company. We have relied on the information and explanations furnished by the management about the recoverability of the same in full in the ordinary course of business as going concern. However in respect of interest free loans outstanding as on 30.6.99 aggregating to Rs. 17077 thousand as per conditions specified by a Financial Institution, there is no specific stipulation as to repayment of principal.
- (vi) In respect of loans or advances in the nature of loans given by the Company, wherever there are specific stipulations as to the repayment of principal, the parties are repaying the same as stipulated and also regular in payment of interest wherever applicable.

In respect of demand loans on promissory notes given by the Company aggregating to Rs. 7257 thousand, there are no specific stipulations as to the repayment of principal and interest wherever applicable.
- (vii) There is adequate internal control procedure commensurate with the size of the Company and the nature of its business for purchase of Plant & Machinery, Equipment and other Assets.
- (viii) The transactions of purchase of goods and materials and sale of services, made in pursuance of contracts or arrangements which are required to be entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party, have been made at prices which in our opinion and on the basis of explanations given to us are reasonable having regard to the prevailing market prices for such goods and services or the prices at which transactions for similar goods or services have been made with other parties.
- (ix) The Company has no unserviceable or damaged stores, raw-materials and finished goods. Hence the question of determining the value of the same does not arise.
- (x) The Company has complied with the directions issued by the Reserve Bank of India and the provisions of Section 58-A of the Companies Act, 1956, read with Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998, except that the liquid assets in unencumbered

approved securities were not maintained adequately throughout the year. It is the contention of the company that the same have been maintained adequately as on 15th September, 1999.

- (xi) The Company does not have any by-products or scrap and hence the question of maintaining records for the same does not arise.
- (xii) The Company has an internal audit system commensurate with the size and nature of its business.
- (xiii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
- (xiv) The Company is regular in depositing the Provident Fund dues and Employee's State Insurance dues with the appropriate authorities.
- (xv) There are no undisputed amounts payable in respect of Income-tax, Wealth tax, Sales tax, Custom Duty and Excise Duty as at 30th June, 1999 outstanding for a period of more than six months from the date on which they became payable.
- (xvi) As per the information furnished by the Management and during the course of our examination of the books of accounts carried out, we have not come across any personal expenses which have been charged to Profit and Loss account other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (xvii) The Provisions of Clause 'O' of Sub section (I) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985, are not applicable to the Company.
- (xviii) The Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and adequate documents and records were maintained in this regard.

For M/s. G.D.APTE & Co.
Chartered Accountants

Chennai
23rd February, 2000

C. M. DIXIT
Partner



SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

Balance Sheet as at 30th June, 1999

	Schedule Reference	As at 30-06-99	(Rs.in '000s) As at 30-06-98
I SOURCES OF FUNDS			
Share Holders' Funds			
Share Capital	A	312198	175191
Reserves & Surplus	B	206524	167263
Loan Funds			
Secured Loans	C	2565676	930088
Unsecured Loans	D	750587	1999665
Total		3834985	3272207
II APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		889090	1382255
Less: Depreciation		376459	455840
Net Block		512631	926415
Investments	F	208064	107145
Current Assets, Loans & Advances	G	3621597	2635100
Less: Current Liabilities & Provisions	H	525095	415387
Net Current Assets		3096502	2219713
Miscellaneous Expenditure (to the extent not written off or adjusted)	I	17788	18934
Total		3834985	3272207
Notes on Accounts	O		
Significant Accounting Policies	P		

As per our Report of even date

For **G. D. APTE & Co.**
Chartered AccountantsFor **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED****C. M. DIXIT**
Partner**A.V.S. RAJA**
Managing Director**G. RAJARETNAM**
Director**J. RADHAKRISHNAN**
SecretaryChennai
23rd February, 2000