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7th ANNUAL REPORT
1996-97

BOARD OF DIRECTORS

Sri M. VENKATESWARA RAO .. Chairman
 Sri T. SHANMUGAM
 Sri PRADEEP KUMAR
 Sri M. MURALI KRISHNA .. Managing Director

REGISTERED OFFICE

27-21-36, Swarna House, 1st Floor,
 Kaleswara Rao Road, Governorpet,
 VIJAYAWADA - 520 002.

ADMINISTRATIVE OFFICE

2nd Floor,
 Swarnalok Complex,
 Eluru Road,
 VIJAYAWADA - 520 002.

AUDITORS

M/s. ANDAVILLI ASSOCIATES,
 Sri Venkateswara Complex,
 Bundar Road,
 VIJAYAWADA - 520 010.

BANKERS

THE NEDUNGADI BANK LIMITED
 B.R.P. Road, Vijayawada-1.

7th ANNUAL GENERAL MEETING

Day, Date	..	Saturday, 27th September, 1997
Venue	..	Hotel Swarna Palace, Eluru Road, Vijayawada-2.
Time	..	10.00 A.M.

NOTICE

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of the Company will be held on Saturday, the 27th September, 1997 at Hotel Swarna Palace, Eluru Road, Vijayawada at 10.00 A.M. to transact the following business.

AS ORDINARY BUSINESS

01. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 1997 and the Audited Balance Sheet as at that date and the report of Directors' and Auditors thereon.
02. To declare Dividend on Equity Shares.
03. To appoint a Director in place of Sri M. Venkateswara Rao who retires by rotation and being eligible, offers himself for re-appointment.
04. To appoint a Director in place of Sri T. Shanmugam who retires by rotation and being eligible, offers himself for re-appointment.
05. To appoint Auditors of the Company and for the purpose of the same to consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"**RESOLVED** that M/s. ANDAVILLI ASSOCIATES, Chartered Accountants, Vijayawada, who retire at this Annual General Meeting, and being eligible for re-appointment be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors".

AS SPECIAL BUSINESS

06. **APPOINTMENT OF DIRECTOR :**

To consider, and if thought fit, to pass, with or without modifications, the following resolution as a **ORDINARY RESOLUTION** :

"**RESOLVED** that Sri Pradeep Kumar be and is hereby appointed as Director of the Company liable to retire by rotation".

07. **ALTERATION TO THE OBJECTS CLAUSE :**

To consider, and if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION** :

"**RESOLVED** that subject to confirmation by Registrar of Companies and such other authority as required under Section 17 of the Companies Act, 1956, Other Objects Clause III (C) of the Memorandum of Association of the Company be and is hereby amended in the following manner :

To replace Clause No.4 in the Other Objects (IIIC) with the following Clause :

04. To carry on the business of General Carriers, forwarding agents, establish and maintain transport services and so on and to make transport facilities to the public and for merchandise of every description what so ever.

To replace Clause No.5 in the Other Objects (IIIC) with the following Clause :

05. To carry on the business of acquiring, maintaining, exploiting of all types of rights including patent rights, distribution rights and exploitation rights of all types of entertainment media both in public and private whether in India or Abroad.

To replace Clause No.7 in the Other Objects (IIIC) with the following Clause :

07. To carry on the business of generation, control, storage and distribution of power or steam either by thermal, hydro, nuclear, wind, wave, solar or by any other means.

To include the following Clauses after Clause 8 in the Other Objects (IIIC).

09. To carry on the business of mining, prospecting, exploiting, drilling, raising, digging or quarrying, crushing any metal, mineral, ore, stone, earth, oil and other substances.
10. To carry on the business of running hotels, canteen, guest houses, holiday homes, inns, milk and snack bars, motels, pubs, bars, refreshment rooms, restaurants, taverns and tea homes.

BY ORDER OF THE BOARD

Regd. Office : 27-21-36, Swarna House,
1st Floor, Kaleswararao Road,
Governorpet, VIJAYAWADA-2.

M. MURALI KRISHNA
Managing Director

Date : 06.08.1997.

NOTES:

01. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER. THE PROXY FORMS, IN ORDER TO BE EFFECTIVE SHALL BE LODGED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
02. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
03. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday the 18th of September, 1997 to Saturday, 27th September, 1997. (Both days inclusive).
04. The Dividend, if declared, will be payable to those members whose names appear on the Register of Members of the Company as on 27th September, 1997.
05. MEMBERS ARE REQUESTED TO INFORM THEIR BANK ACCOUNT NUMBER, NAME OF THE BANK AND ADDRESS OF THE BRANCH TO ENABLE THE COMPANY TO INCORPORATE THE SAID DETAILS IN THE DIVIDEND WARRANTS SO AS TO AVOID THE POSSIBILITY OF DIVIDEND WARRANTS ETC., BEING STOLEN OR BEING ILLEGALLY MISAPPROPRIATED.

06. Shareholders desiring any information as regards accounts are requested to write to the Company seven days before the Date of the Meeting so as to enable the Company to keep information ready at the meeting.
07. As a measure of economy copies of Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2)
OF THE COMPANIES ACT, 1956**

ITEM NO.6

The Board of Directors at their meeting held on 31.03.1997 appointed Sri Pradeep Kumar as an additional Director in pursuance to Article 22 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and he holds office upto the ensuing Annual General Meeting. Sri Pradeep Kumar is a Chartered Accountant and has good experience in the field of Hirepurchase Finance.

ITEM NO.7

The Company is at present carrying on the business of Hire Purchase and Lease Financing and Investing and Trading in Shares and Securities. The recent adverse conditions prevailing in the money and capital markets has made it difficult for the Company to carry on the non-fund based activities on a large scale. Hence, the Company wishes to diversify its activities to those mentioned in the resolution to be carried on conveniently along with the existing main objects of the Company.

Hence, the alteration to the objects clause of the Memorandum of Association is proposed. According to Section 17 of the Companies Act, 1956 a Special Resolution in a General Meeting should be passed for alteration of the Memorandum of Association. Hence, the above Special Resolution.

None of the Directors is interested or concerned in the above resolution. The Board is of the opinion that undertaking of the above activities shall be to the best advantage of the Company and accordingly recommends the passing of the Resolution.

Copy of the Memorandum and Articles of Association of the Company shall be available for inspection by any member from 10.00 A.M. to 5.30 P.M. on any working day.

BY ORDER OF THE BOARD

Regd. Office : 27-21-36, Swarna House,
1st Floor, Kaleswararao Road,
Governorpet, VIJAYAWADA-2.

M. MURALI KRISHNA
Managing Director

Date : 06.08.1997.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in placing before you their Seventh Annual Report along with the Audited Statement of Accounts for the year ended 31st March, 1997.

FINANCIAL RESULTS :

	(Rupees in Lakhs)	
	Current Year	Previous Year
TOTAL INCOME	102.69	78.46
Less: Expenditure	38.09	18.89
	-----	-----
PROFIT BEFORE DEPRECIATION & TAX	64.60	59.57
Less: Depreciation	25.85	13.59
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PROFIT BEFORE TAX	38.75	45.98
Less: Provision for Taxation	5.18	0.15
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PROFIT AFTER TAX	33.57	45.83
Add: Last Year surplus & excess dividend brought forward	9.37	1.53
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PROFIT AVAILABLE FOR APPROPRIATION	42.94	47.36
	=====	=====

APPROPRIATIONS:

1. General Reserve	1.69	4.60
2. Reserve Fund	6.74	0.00
3. Proposed Dividend	30.00	40.07
4. Tax thereon	3.00	0.00
5. Surplus Carried Forward	1.51	2.69
	-----	-----
	42.94	47.36
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DIVIDEND :

Your Directors recommend a dividend of 10% on the Equity Share Capital for the year 1996-97 subject to the approval of the Members which involves a cash outflow of Rs.33.00 Lakhs including corporate tax on dividend. Since the dividend is not taxable in the hands of the receivers no tax is being deducted at source from the dividend amount.

REVIEW OF OPERATIONS :

The year 1996-97 proved to be a difficult year for the financial sector especially the Non Banking Financial Companies which faced extremely adverse situation in view of narrowing spreads due to severe competition in auto finance business and the unprecedented recession in the transport sector. Your Company also has its share of the above. Despite trying circumstances in which your company operated, the total income increased by 31%.

PUBLIC DEPOSITS :

The Public Deposits accepted during the year amounted to Rs.35.99 Lakhs. All the deposits maturing during the year have been claimed and repaid or renewed during the year and as at 31st March,1997 there are no deposits that are matured and remained unclaimed. There are also no deposits which are claimed and remained unpaid as on that date. An application for rating of the fixed deposits of the Company is under the consideration of CARE.

FINANCE :

Your Directors wish to place on record their sincere thanks to The Nedungadi Bank Limited for the confidence reposed on the Company by enhancing the Cash Credit Limit to Rs.100 Lakhs.

FUTURE PROSPECTS :

As already mentioned, the Company is facing an unprecedented adverse market conditions coupled with stringent norms stipulated by RBI which is causing serious resource constraint to all the NBFCs in general. Despite such environment the Company hopes that the situation turns around in the coming months. The Company's emphasis shall continue to be Hirepurchase and Lease Financing of Motor Vehicles. Inorder to increase the profitability and operations the Company intends to enter the large untapped segment of Hirepurchase Finance i.e., Machinery and Consumer Durables. The Company also proposes to takeup Non-fund based activity including Forex to the extent possible.

DIRECTORS :

Sri M. Venkateswara Rao and Sri T. Shanmugam retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Directors wish to place on record their appreciation and gratitude for the guidance and advise provided by Sri M. Subba Rao and Sri M. Venkateswara Rao who resigned from the Board during the year on personal grounds.

AUDITORS :

M/s. Andavilli Associates, Chartered Accountants, Vijayawada retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

PROJECTIONS VIS-A-VIS PERFORMANCE:

As per the requirement of the listing agreement with the Stock Exchanges, the performance of the Company as against the projections for the year 1996-97 made in the prospectus dated 19.04.1995 are as under:

	(Rupees in Lakhs)	
	Projection	Actual
GROSS INCOME	199.24	102.69
PROFIT AFTER TAX	95.48	33.57

The variation in the projections and actuals can be attributed to the adverse situation faced by the Non-Banking Finance Companies followed by severe competition in the auto finance division which resulted in narrowing of spreads.

HUMAN RESOURCES :

The Company is having qualified and trained employees who are responsive to the customers need. There are no employees covered by Sec.217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 as Amended.

ADDITIONAL INFORMATION :

Your Company not being a Manufacturing Company is advised that Forms A & B of the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 requiring the disclosure of particulars regarding Conservation of Energy and Technology Absorption, are not applicable. There has been no foreign exchange inflow or outgo in the current year.

APPRECIATION :

The Directors take this opportunity to place on record their sincere appreciation and gratitude to the Company's valued Clients, Bankers, Finance Institutions, Depositors and Shareholders for their continued support and faith reposed by them in the Company. Yours Directors like to express their appreciation to each of the employees of the company for their hardwork and commitment exhibited throughout the year.

FOR AND ON BEHALF OF THE BOARD

Place: VIJAYAWADA,
Date : 06.08.1997.

M. VENKATESWARA RAO
Chairman