



## Swarna Securities Limited

### **13th ANNUAL REPORT 2002 - 2003**

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Registered Office :  
27-21-36, Swarna House, 1st Floor  
Kaleswara Rao Road, Governorpet  
VIJAYAWADA - 520 002  
Phone : 2575928, 5565928

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****BOARD OF DIRECTORS**

Sri M. MURALI KRISHNA	..	Chairman & Managing Director
Sri M. VENKATESWARA RAO	..	Director
Sri PRADEEP KUMAR	..	Director
Sri K. SRIDHAR	..	Director
Sri T.V.S. JAWAHARLAL NEHRU	..	Director

**REGISTERED OFFICE**

27-21-36, Swarna House, I Floor  
Kaleswara Rao Road  
Governorpet  
VIJAYAWADA - 520 002

**AUDITORS**

M/s. SESHADRY & COMPANY  
Chartered Accountants  
UGF 1 & 2, Ammana Estates  
Prakasam Road, Governorpet  
VIJAYAWADA - 520 002

**BANKERS**

PUNJAB NATIONAL BANK  
B. R. P. Road  
VIJAYAWADA - 520 001

**13th ANNUAL GENERAL MEETING**

Day, Date	:	Wednesday, 9th July, 2003
Venue	:	Hotel Swarna Palace, Eluru Road Vijayawada - 2
Time	:	10.00 A.M.

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****N O T I C E**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Wednesday, the 9th of July, 2003, at Hotel Swarna Palace, Eluru Road, Vijayawada at 10.00 AM 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, 2003 and the Audited Balance Sheet as at that date and the report of the Directors' and Auditors thereon.
02. To appoint a Director in place of Sri M. Venkateswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
03. To appoint M/s.Seshadry & Co., Chartered Accountants, who retire at the conclusion of this Annual General Meeting, as Auditors of the Company and for the purpose of the same, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that M/s.Seshadry & Co. Chartered Accountants, Vijayawada be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next annual general meeting on a remuneration that may be fixed by the Board of Directors".

**AS SPECIAL BUSINESS :**

04. To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED that pursuant to sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, Sri M. Murali Krishna, be and is hereby re-appointed as Managing Director of the Company for a period of 3 years with effect from 01.06.2003 without any remuneration."

Regd. Office: 27-21-36, Swarna House  
I Floor, Kaleswara Rao Road,  
Governorpet, Vijayawada-2.  
Date : 09.06.2003

BY ORDER OF THE BOARD

(sd)

**M. MURALI KRISHNA**  
Chairman & Managing Director

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****N O T I C E**

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. The Explanatory Statement as required under section 173(2) of the Companies Act, 1956 with regard to the special business is attached herewith.
03. The Register of Members and Share Transfer Books of the company will remain closed from Tuesday the 1st of July, 2003 to Wednesday, the 9th of July, 2003 (Both days inclusive).
04. 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 the information ready at the meeting.
05. As a measure of economy copies of the 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.4

Sri M. Murali Krishna, is one of the promoters of the Company and is looking after the affairs of the Company since its inception. He has been instrumental for the growth and development of the Company and his re-appointment as Managing Director of the Company would be to the best advantage to the Company. The Board of Directors at its meeting on 09.06.2003 has re-appointed Sri M. Murali Krishna as Managing Director of the Company for a period of 3 years with effect from 01.06.2003.

As per the provisions of the Schedule XIII of the Companies Act, 1956 and other applicable provisions, the members should approve the re-appointment by an Ordinary Resolution at a General Meeting. Hence the resolution.

The Board commends the passing of the above resolution.

Sri M. Murali Krishna is interested in the resolution to the extent of his re-appointment and Sri M. Venkateswara Rao is interested as father of Sri M. Murali Krishna.

BY ORDER OF THE BOARD

Regd. Office: 27-21-36, Swarna House  
I Floor, Kaleswara Rao Road,  
Governorpet, Vijayawada-2.

(sd)

**M. MURALI KRISHNA**  
Chairman & Managing Director

Date : 09.06.2003

**PARTICULARS OF DIRECTORS APPOINTED / RE-APPOINTED IN PURSUANCE TO CLAUSE 49 OF THE LISTING AGREEMENT**

01. Sri M. Venkateswara Rao is one of the Promoter Directors of the Company. He has vast experience in the fields of hire purchase finance, Cine Theatres, Commercial Complexes and allied sectors for more than 3 decades. He is a Director of M/s.Swarna Estates Private Limited, M/s.Muthavarapu Leasing Limited, M/s.MVR Estates Private Limited and M/s.MVR Hotels Private Limited.
02. Mr. M. Murali Krishna is the promoter director of the Company. He is a post graduate in commerce and has more than 2 decades of experience in Hire Purchase Finance, Hotels, Construction and Real Estate and allied activities. He is also the Managing Director of M/s.Swarna Estates (P) Limited. He is a Director of M/s.Siva Credits Limited, M/s.MVR Estates (P) Ltd., M/s.MVR Hotels (P) Ltd., and M/s.Muthavarapu Leasing Limited.

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****DIRECTORS' REPORT**

Your Directors take pleasure in presenting their 13th Annual Report and the audited financial statements of the Company for the year ending 31st March, 2003.

<b>FINANCIAL RESULTS</b>	<b>(Rupees in Lakhs)</b>	
	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
Total Income	<b>64.14</b>	97.44
Less: Expenditure	<b>61.95</b>	70.02
Profit before depreciation	<b>12.19</b>	27.42
Less: Depreciation	<b>2.77</b>	10.79
Profit before tax	<b>9.42</b>	16.63
Less: Provision for Taxation	<b>6.70</b>	8.35
Profit after tax	<b>3.72</b>	8.28
Less: Reserve Fund	<b>0.74</b>	0.00
	<b>2.98</b>	<b>8.28</b>
Add: Surplus carried forward	<b>-53.82</b>	-62.10
Balance Carried to Balance Sheet	<b>-50.84</b>	-53.82

**DIVIDEND :**

The Board does not recommend any dividend for the year 2002-03, in view of the financial constraints of the Company.

**REVIEW OF OPERATIONS :**

The Company has recorded a stable performance during the year under review. As against a Gross Income 64.24 Lakhs, the company has realised a net profit of Rs.3.72 lakhs after providing for depreciation and taxation. The company has disbursed an amount of Rs.171.45 lakhs towards Hire Purchase and other loans.

**PUBLIC DEPOSITS :**

The Company neither accepted nor holds any public deposits during the year under review. In pursuance to Clause 5 (Part III) of the Non-Banking Finance Companies (Reserve Bank) Directions, 1998, your Directors wish to state that as on 31st March, 2003 there are no depositors who have not claimed or to whom the amount was not paid by the Company after the date on which the deposits became due for repayment and as on date there are no deposits that are matured and remained unclaimed or deposits that are claimed and remained unpaid.

**FINANCE :**

Your Company is availing a Cash Credit from Punjab National Bank, Vijayawada-1 for Rs.100 Lakhs. Your Company has further issued secured redeemable Non-Convertible

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT**

Debentures of Rs.100/- each on private placement basis to the tune of Rs.20.40 lakhs (Series-G), Rs.41.80 Lakhs (Series-H) and Rs.41.70 Lakhs (Series-I). While Series-E and Series-F are redeemed in full during the year under review and Series-J is open for subscription on private placement basis.

**FUTURE PROSPECTS :**

The Stable economic situation witnessed in the previous year has made a back step with the failure of monsoon. All the sectors of the economy are effected resulting in a slight increase in the inflation rate. However, the strong position occupied by your company in the hire purchase finance market in the region, shall help it in sustaining the growth rate of the previous period in the years to come. The Company continues its concentration in financing the automobile sector and other fixed assets.

**DIRECTORS :**

Sri M. Venkateswara Rao retires by rotation in the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Approval of the shareholders is being sought for the re-appointment of Sri M. Murali Krishna as Managing Director of the Company for a period of 3 years with effect from 01.06.2003.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' responsibility statement, your Directors wish to confirm that :

- (i) In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- (ii) Such accounting policies have been selected and applied consistently and judgements and estimates are made that the 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 or loss of the Company for that period.
- (iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting any fraud or other irregularities;
- (iv) Accounts for the financial year ended on 31st March, 2003 are prepared on a going-concern basis.

**AUDITORS :**

M/s.Seshadry & Company, the auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and they have intimated that their re-appointment, if made, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956.

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****OBSERVATIONS OF AUDITORS :**

The Observations made in the audit report are self-explanatory as given in the notes of accounts attached thereto.

**LISTING:**

The shares of the Company were listed in Mumbai and Hyderabad Stock Exchanges and the listing fee for both the exchanges have been paid upto financial year 2002-03.

**CORPORATE GOVERNANCE :**

A detailed report on Corporate Governance along with the certificate from the auditors of the Company regarding compliance of Corporate Governance as stipulated under Clause 49 of the listing agreement is attached to this report.

**HUMAN RESOURCES :**

The Company has competent and trained employees working for the goals of the organisation. There are no employees covered by Section 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 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 :**

Your Directors wish to place on record their sincere appreciation to the Company's Customers, Bankers, Financial Institutions, Debenture Holders and share holders for their continued support and faith in the Company. A word of appreciation is also due to the employees of the Company for their hard work and commitment.

For and on behalf of the Board

Place: VIJAYAWADA  
Date : 09.06.2003

(sd)  
**M. MURALI KRISHNA**  
Chairman & Managing director

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT****REPORT ON CORPORATE GOVERNANCE**

- I. Your Company has been practicing the principles of good corporate governance and lays a strong emphasis on transparency, accountability and integrity. All the matters of strategy, significant developments etc are routinely placed before the Board. The Audit, Share Transfer and Investor Grievance Committees meet regularly to consider the aspects relevant to each committee.

**II. BOARD OF DIRECTORS :**

- a) Composition and Category of directors as on 31st March, 2003.

Category	No. of Directors
Promoter Directors	1
Executive Directors	1
Non-Executive, Independent Directors	3
Total	5

- b) Attendance of each Director at the Board Meetings and the last AGM.

Director	No. of Board Meetings held	No. of Board Meetings Attendance	Last AGM Attendance (Yes/No)
Sri M. Venkateswara Rao	10	10	Yes
Sri M. Murali Krishna	10	10	Yes
Sri Pradeep Kumar	10	10	Yes
Sri K. Sridhar *	08	08	Yes
Sri T.V.S. Jawaharlal Nehru *	08	08	Yes

\* Appointed on 25.09.2002

- c) Number of Other Directorships or Board Committees he/she is a member or Chairperson of

Name of Director	Number of Directorships	No. of Member ships in Board Committees Other than SSL	Whether Member or Chairman
Sri M. Venkateswara rao	4	--	
Sri M. Murali Krishna	5	1	Chairman
Sri Pradeep Kumar	2	--	
Sri K. Sridhar	1	1	Chairman
Sri TVS Jawaharlal Nehru	0	-	

- d) Number of Board Meetings held and dates on which held

Ten Board Meetings were held during the financial year from 01.04.2002 to 31.03.2003. The dates on which the meetings were held are as follows:



**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT**

26.04.02, 29.05.02, 06.07.02, 20.07.02, 04.10.02, 21.10.02, 18.01.03, 18.02.03, 05.03.03 and 19.03.03.

**III. AUDIT COMMITTEE :****a) Terms of Reference :**

The responsibilities of the audit committee include the overseeing of the financial reporting process to ensure a proper disclosure of the financial statements; recommending appointment / removal of the external auditors and fixing their remuneration; reviewing the quarterly, half yearly and annual financial results before submission to the Board; reviewing the adequacy of internal control systems; structure and staffing of the internal audit function, reviewing findings of the internal investigations and to make recommendations to the Board on any matter relating to the financial management of the Company including the Audit Report.

**b) Composition**

The Audit Committee consists of the following non-executive Directors

1. Sri Pradeep Kumar	Chairman
2. Sri K. Sridhar	Member
3. Sri T.V.S. Jawaharlal Nehru	Member

**c) Meetings and Attendance of the Audit Committee during the year**

A total of 2 meetings were held during the financial year from 29.05.2002 to 31.03.2003 on 21.10.2002 and 18.01.2003.

All the Members and the Chairman attended all the meetings.

**IV. SHAREHOLDERS COMMITTEE :**

The Board has constituted the Shareholders committee which looks into shareholders and investors grievances. The following are the members of the Committee.

1. Sri Pradeep Kumar
2. Sri K. Sridhar
3. Sri T.V.S. Jawaharlal Nehru

During the year 2002-03, a total number of 184300 shares were transferred and as at 31st March, 2003 there are No Equity shares pending for transfer.

There are no complaints received during the year under review and as on 31st March, 2003 there are no complaints that are pending. Since the company has an in-house secretarial department, the shareholders grievances, if any are promptly attended to.

**V. GENERAL BODY MEETINGS :**

The Location and Time of the Annual General Meetings held during the last 3 years are as follows:

**SWARNA SECURITIES LIMITED****13th ANNUAL REPORT**

AGM	Date	Time	Venue	No. of Special Resolution
10th	27.07.2000	10.00 A.M.	Hotel Swarna Palace Vijayawada	NIL
11th	23.07.2001	10.00 A.M.	Hotel Swarna Palace Vijayawada	1
12th	06.07.2002	10.00 A.M.	Hotel Swarna Palace Vijayawada	Nil

For the year ended 31st March, 2003 there have been no ordinary or special resolutions passed by the Company's shareholders through postal ballot.

**VI. DISCLOSURES :**

There are no non-compliances by the Company, penalties strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

**VII. MEANS OF COMMUNICATION :**

The unaudited quarterly, and annual financial results are sent to all the stock exchanges where the shares of the Company are listed. The results are also published in Indian Express and Andhra Prabha.

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS :****a) INDUSTRY STRUCTURE AND DEVELOPMENT :**

The Commercial Vehicle and Transport Industry is the crux of the activity of your Company. The Road Transport Sector is crucial for any development economy. In India, the sector faces stiff competition from an equally penetrated transport system - the Railways. However, the Road Transport Sector has its role to play especially where the goods are to be transported to the interior places. The emphasis laid by the Central Government to improve the Infrastructure facilities including the roads has raised hope in the development of this industry. The Commercial Vehicles are the important element of the transport industry.

**b) OPPORTUNITIES AND THREATS :**

The increase in the purchase of the Commercial Vehicles, both new and used by the transport operators has opened new avenues to business. In the Non-Commercial Vehicle segment, we are witnessing a spurt of new models of Cars in the market which is resulting in the replacement sales of vehicles. This activity in the vehicle segment will increase the business of hire purchase finance in the years to come. With the stringent rules being implemented by the Reserve Bank of India, only the genuine and strong NBFCs remained in the market.

However, the entry of Commercial Banks and other institutions into the hire purchase finance industry has increased competition with a big charge on the spreads. The increase in the rate of service tax to which the transportation sector is also subjected to, may have an adverse effect on the growth of the industry.