

ANNAMALLAI FINANCE LTD

MD	✓			BKC	✓
CS	✓			DPY	NA
RO	✓			DIV	✓
TRA	✓			AC	✓
AGM	✓	✓		SHI	✓
YE	✓	✓	✓		✓



ANNUAL REPORT 1997





ANNAMALLAI FINANCE LTD

Board of Directors

Sri S.V. Balasubramaniam
Sri S.V. Alagappan
Sri M. Nataraj
Sri R.R. Kumar
Sri K.N. Lakshminarayanan
Dr. S.V. Kandasami
Sri S.V. Balakrishnan
Sri S.V. Arumugam

Chairman
Vice-Chairman

Managing Director

Registered Office

252, Mettupalayam Road
Coimbatore - 641 043
Phone : 432224

Bankers

State Bank of India
Canara Bank
The Karur Vysya Bank Ltd
Union Bank of India
UCO Bank
The Catholic Syrian Bank Ltd
State Bank of Travancore
The Lakshmi Vilas Bank Ltd
Indian Bank
Punjab & Sind Bank
Bank of India
The Nedungadi Bank Ltd

Auditors

Messrs V.K.S. Aiyer and Coy.
Chartered Accountants
Coimbatore

Internal Auditors

Messrs C.S.K. Prabhu & Co.
Chartered Accountants
Coimbatore

Messrs K. Sreedhar & Associates
Chartered Accountants
Chennai

Company Secretary

Sri N. Avinashilingam

Share Transfer Agents

Shiva Capitols Pvt. Ltd.
2/3, Subramaniapuram
First Street
Coimbatore 641 002

Annamallai Finance Limited

BRANCHES

Bangalore	Royal Corner, First Floor, D.No. 1 & 2, Lalbagh Road, Bangalore - 560 027, Phone : 2227365
Chennai - Anna Nagar	First Floor of B-9, Alsa Arcade, Second Avenue, Anna Nagar, Chennai - 600 102, Phone : 6263447
- T. Nagar	23, Sarojini Street, T. Nagar, Chennai - 600 017, Phone : 4340248
- Mount Road	12 / 12A, 'Spencer Plaza', 769, Anna Salai, Chennai - 600 002 Phone : 8520228, 8522538 & 8523106
	I Floor, 'Continental Plaza', 705, Anna Salai, Chennai - 600 006 Phone : 8522350, 8522430
- Mylapore	147, Luz Church Road, Mylapore, Chennai - 600 004, Phone : 4992993, 4970284
Coimbatore	438, Dr. Nanjappa Road, Coimbatore - 641 018, Phone : 232015
Delhi	26 / 25, Bazaar Street, Old Rajinder Nagar, New Delhi - 110 060, Phone : 5752417, 5752531 & 5721616
Ernakulam	'Sudarsan', 35 / 3057, Tripunithura Road, Valanjambalam (Opp. to Laxman Theatre) Ernakulam, Cochin - 638 016, Phone : 360425 & 372226
Erode	Royal Buildings, First Floor, 103, Sathy Road, Erode - 638 003, Phone : 79400
Gobichettipalayam	Bannari Amman Building, No. 15, Catchery Road, Gobichettipalayam - 638 452, Phone : 22924
Karaikudi	33, Maharanonbu Agraharam, Karaikudi - 623 001, Phone : 23029
Kozhikode	Triपुरi Building, 3 / 568, Wynad Road, East Nadakavu, Kozhikode - 673 011, Phone : 765837
Kumbakonam	38, Ayekulam Road, Kumbakonam - 612 001, Phone : 23575
Madurai	174-A, First Floor, North Veli Street, Madurai - 625 001, Phone : 540450
Mumbai	605, Maker Chambers-V, 221, Jamnalal Bajaj Road, Nariman Point, Mumbai - 400 021, Phone : 2843602, 2850588 & 2850589
Pondicherry	Plot No. 4, Kamaraj Street, First Floor, Brindavanam, Pondicherry - 605 013, Phone : 38507
Pollachi	Lourdass Church Complex, Opp. Panchayat Union Office, Palghat Road, Pollachi - 642 001, Phone : 25909
Pune	No.11, Priya Society, Tadiwala Road, Pune - 411 001, Phone : 627178
Salem	'Raghavendra Complex', 67, First Floor, First Agraharam, Salem - 636 001 Phone : 419513, 418899 & 68896
Sathyamangalam	225, Mysore Main Road, Sathyamangalam - 638 401, Phone : 20420 & 20697
Tirunelveli	'Sakthi Complex', 25-B 1 & 2, S.N. High Road, Tirunelveli - 627 001, Phone : 25144 & 26307
Trichy	4-A, Birds Road, Post Box No. 133, Cantonment, Trichy - 620 001, Phone : 463304 & 460222
Vellore	'Krishna Kudil', First Floor, 15 / 3, Arani Road, Vellore - 632 001, Phone : 26371
Villupuram	No.16, Ranganathan Road, Villupuram - 605 602, Phone : 23780.



Notice to Shareholders

NOTICE is hereby given that the **Seventeenth Annual General Meeting** of the Shareholders of the Company will be held on Friday the 12th day of September, 1997 at 4.30 P.M. at Nani Kalai Arangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore-641 037 to transact the business set out in the Agenda below :

You are requested to make it convenient to attend the meeting.

Agenda

1. To receive and adopt the audited statement of accounts for the year ended 31st March, 1997 and to consider the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To elect a director in the place of Sri. K.N. Lakshminarayanan who retires by rotation and being eligible, offers himself for re-election.
4. To elect a director in the place of Sri. R.R. Kumar who retires by rotation and being eligible, offers himself for re-election.
5. To appoint auditors for the current year and to fix their remuneration. M/s. V.K.S. Aiyer & Coy., Chartered Accountants, Coimbatore retire and are eligible for reappointment.

Coimbatore
26.06.1997

By order of the Board,
N. Avinashilingam
Company Secretary

Notes

1. Any member entitled to attend and vote at the general meeting, is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the Company.
2. The proxy form duly stamped and executed, should be deposited at the Registered Office atleast forty eight hours before the time fixed for the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 02.09.1997 to 12.09.1997 (both days inclusive).
4. Dividend as recommended by Directors, if sanctioned by the Members, will be paid to those Members whose names stand on the Company's Register of Members as on 12.09.1997.
5. Pursuant to Section 205A of the Companies Act, 1956, the Company has transferred all unclaimed equity dividend up to the financial year ended 31st March, 1993, to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Bank of Baroda Building, 5th Floor, Eastern Wing, 82, Bank Road, Coimbatore - 641 018 in the prescribed form which will be supplied by the Company on request.

Annamalai Finance Limited

Directors' Report

Your Directors have great pleasure in presenting the **Seventeenth Annual Report** together with the audited accounts for the year ended 31st March, 1997.

Working Results

The financial results for the year under review are furnished below :

	(Rs. in lacs)
Profit before depreciation	1281.39
Less : Depreciation	581.71
Lease Equalisation Charge	193.55
Balance of profit before tax	506.13
Less : Provision for Income-tax on Book Profits	66.00
Balance of profit after tax	440.13
Add : Surplus brought forward from last year	54.53
Total profit available for appropriation	494.66

Your Directors recommend the following appropriation :

Provision for Proposed Equity Dividend	303.81
Provision for Proposed Tax on Distributed Profits	30.38
Transfer to Statutory Reserve	88.03
Transfer to General Reserve	44.01
Surplus carried over to Balance Sheet	28.43
	494.66

Dividend

Your Directors are happy to recommend the payment of dividend at 27% on the amount paidup on 1,12,52,400 Equity Shares of Rs. 10/- each. The dividend will absorb Rs. 303.81 lacs, being the same amount as in last year. Provision has also been made towards proposed tax on distributed profits, amounting to Rs. 30.38 lacs. The

dividend and the tax thereon will be paid within the due dates after declaration of dividend by the shareholders of the Company.

REVIEW OF OPERATIONS

Business

During the year under review, the Company deployed Rs. 4,155.67 lacs (Rs. 4,418.89 lacs) under hire purchase contracts, Rs. 1,242.30 lacs (Rs. 739.09 lacs) under financial lease, Rs. 1,131.31 lacs (Rs. 3,307.57 lacs) against discounting of trade bills. There was a fall in the deployment of funds due to the general strike launched by vehicle operators during the last quarter of the financial year and also the subdued level of industrial activities which also affected the recovery of arrears from transport operators.

This has a reflection in the profitability. The comparative figures of performance are as follows :

	Years ended	
	31.3.1997	31.3.1996
Stock-on-hire under	(Rs. in lacs)	
HP Agreement	7,447.44	6,813.54
Gross Value of Assets leased	6,829.80	6,278.60
Public Deposits	7,719.38	6,464.92
Gross Income	4,158.86	3,345.87
Profit before depreciation and Taxation	1,281.75	1,258.04

Resources Mobilisation

During the year, the Company obtained sanction from The Industrial Credit and Investment Corporation of India Ltd. for a fresh refinance term loan of Rs. 1,500 lacs, of which Rs. 800 lacs was availed before the close of the financial year. The above finance together with further growth in deposits, helped the Company to maintain the volume of disbursements under Hire Purchase and Lease business at satisfactory levels.



Deposits

Your Directors are happy to report that your Company is one among the few registered NBFCs for which Reserve Bank of India granted a certificate dated 22.11.96 permitting the Company to raise deposits from the public without any ceiling for amount and interest. In spite of stiff competition for mobilisation of deposits, your Company achieved an incremental growth of Rs. 12.54 crores in deposits mobilisation. The renewals continue to be impressive at 74% as against 73% in the previous year which indicates the high degree of confidence reposed by the depositors in the Company.

As on 31.03.1997, 1565 deposits totalling to Rs. 149.22 lacs remained unclaimed on the due dates; since then 901 deposits involving Rs. 94.94 lacs were either renewed or repaid as per instruction of the Parties and 664 deposits involving Rs. 54.28 lacs still remain unclaimed and close follow-up is being made to obtain instructions of the depositors.

Credit Rating

Your Directors are happy to inform you that CRISIL, on appraisal have confirmed their rating of the Company's Fixed Deposit Programme from 'FAA-' (FAA Minus) indicating greater degree of safety and timely payment of interest and principal.

Disclosure as per Listing Agreement

By Letter of Offer dated 14.1.95, the Company made a Rights Issue of 75,01,600 Equity Shares of Rs. 10 each for cash at a premium of Rs. 20 per share to the existing shareholders of the Company.

As required by the Clause 43 of the listing agreement, the comparative figures of projections recorded in the letter of offer and the actual performance are as under :

Particulars	1996-97	
	Projections	Actuals
Gross Income (Rs. in lacs)	5,629.70	4,158.86
Profit after tax (Rs. in lacs)	1,368.80	441.15
Earning per share (EPS in Rs.)	12.16	3.91

Due to political instability and poor delivery of bank credit, manufacturing sector witnessed a recessionary trend for most part of the year which also in turn affected the transport sector. Further, the Bank and Institutional credit available to NBFCs as refinance were also limited. On account of these factors, the deployment of funds was much lower than the amount envisaged in the projection. Further, the rate of interest charged by the Institutions and Banks were also much higher, which could not be envisaged. Hence, the actuals of both the gross income and the profit after tax were much lower than the projections.

Prudential norms prescribed by the Reserve Bank of India

Your Directors are happy to report that the Company has complied with the Prudential Norms prescribed by the Reserve Bank of India for income recognition and provisioning for bad and doubtful debts. The Company has achieved a capital adequacy ratio of 27.45%, as compared with the minimum of 8% prescribed by the Reserve Bank of India.

Prospects

The continued reduction in Statutory Liquidity Ratio applicable to banks and the declining trend in their PLR is likely to stimulate better off-take of bank credit to the industrial sector. The policies of the new Government at the centre are also aimed at promoting industrial growth and infrastructure development. Hence, the transport sector is also likely to improve their performance, with normalcy restored in operation of commercial vehicles which was affected by nationwide strike. As banks and Financial Institutions have adequate resources for deployment towards working capital purposes of NBFCs, and with further growth envisaged in mobilising deposits, your Company is likely to deploy larger volume of funds in its principal line of business. Your Company is also constantly reviewing and restructuring its interest rates, on deposit schemes. With downward revision in interest rates, from 1st July, 1997, the Company will be able to deploy funds at competitive rates and thereby generate further growth in its principal business of Hire Purchase and Lease. Hence, your Company is optimistic of good performance in the year ahead.

Annamallai Finance Limited

Reserves and Surplus

Your Directors have recommended for appropriation towards Statutory Reserve, a sum of Rs. 88.03 lacs representing 20% of the profits after tax which is available for declaration of dividend, as stipulated under the amended Reserve Bank of India Act, 1934. The Reserves and Surplus as at the close of the financial year stood at Rs. 2,961.03 lacs as against Rs. 2,855.10 lacs in last year.

Subsidiaries

1) Cream Investment & Trading Co. Ltd

This subsidiary made a net profit of Rs. 10.08 lacs after paying interest of Rs. 47.23 lacs to the holding Company. The performance may be considered satisfactory as the stock markets remained subdued during major part of the year. After the passing of Union Budget of 1997 the stock markets are looking up and the outlook for the current year would be better.

2. Annamallai Properties Ltd.

This subsidiary made a net profit of Rs. 4.52 lacs. The performance may be considered satisfactory as the real estate market remained sluggish throughout the year. The marketing of residential complex commenced during the year and the subsidiary has started generating income.

Particulars as required under Section 212 of the Companies Act, 1956 on the above subsidiaries are enclosed.

DIRECTORS

Sri K.N. Lakshminarayanan and Sri R.R. Kumar are liable to retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

PERSONNEL

Particulars of employees in terms of the requirement of Section 217(2A) of the Companies Act, 1956 are set out below :

Name	: Sri S.V. Arumugam
Designation /	
Nature of duties	: Managing Director
Gross Remuneration	: Rs. 11.33 lacs
Qualification /	: B.Sc. ACA
Experience	: 17 years
Date of commencement of employment	: 25.6.1980
Age	: 49 years
Last employment	: Nil

Note :

1. Gross remuneration includes salary, allowances, commission, Company's contribution to Provident Fund and taxable value of perquisites only.
2. The nature of employment is contractual.
3. Sri S.V. Arumugam, Managing Director is related to Sri S.V. Balasubramaniam, Chairman, Sri S.V. Alagappan, Vice-Chairman, Dr. S.V. Kandasami and Sri S.V. Balakrishnan, Directors of the Company.

Particulars U/S 217 (1) (e) of the Companies Act, 1956

The particulars required to be included in terms of Section 217 (1) (e) of the Companies Act, 1956 are not applicable to your Company.

Auditors

M/s. V.K.S. Aiyer and Coy., Chartered Accountants, Coimbatore, present Auditors of the Company will retire at the ensuing Annual General Meeting. They are eligible for re-appointment and a Certificate under Section 224 (1B) of the Companies Act, 1956 has been received from them.

Acknowledgement

Your Directors wish to place on record their gratitude to the depositors and other customers for the confidence reposed by them and their continued support. Your Directors also wish to thank the Consortium of Banks, Industrial Credit and Investment Corporation of India Ltd., Industrial Development Bank of India, Small Industries Development Bank of India and Indian Renewable Energy Development Agency Limited for the credit facilities extended to the Company. The Board also wish to place on record their appreciation for the continued good services rendered by the employees of the Company.

Coimbatore
26.06.1997

By order of the Board,
S.V. Balasubramaniam
Chairman



Statement in pursuance of Section 212 (1) (e) of the Companies Act, 1956

1) Name of the Company	: Cream Investment & Trading Company Limited	Annamallai Properties Limited
2) Financial year of the subsidiary ended on	: 31.03.1997	31.03.1997
3) Holding Company's interest in the subsidiary	: 2,00,045 shares of Rs. 100/- each (99.92%)	18,00,000 Equity Shares of Rs. 10/- each (99.81%)
4) Net aggregate amount of the profits of the subsidiary not dealt with in the holding company's accounts :		
a) For the financial year of the subsidiary ended 31.03.97	: Rs. 6,52,949/-	Rs. 4,45,098/-
b) For the previous financial years of the subsidiary and upto 31.03.1997	: Rs. 19,61,418/-	Rs. 35,684/-
5) Net aggregate amount of the profits of the subsidiary dealt with in the holding Company's accounts :		
a) For the financial year of subsidiary Company	: Nil	Nil
b) For the previous financial years of the subsidiary Company	: Nil	Nil

Annamalai Finance Limited

Auditors' Report

1. We have audited the attached Balance Sheet of ANNAMALLAI FINANCE LIMITED as at 31st March, 1997 and the Profit & Loss Account for the financial year ended on that date and report that :
 - i) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the financial year ended on that date give the information required by the Companies Act, 1956 in the manner so required.
 - ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - iii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books.
 - iv) The above Balance Sheet and the Profit and Loss Account are in agreement with the books of accounts of the Company.
2. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 and on the basis of such checks as we considered appropriate, we furnish below our statement on the matters specified in paragraphs (4) and (5) of the said Order.
 - i) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The fixed assets other than assets leased have been physically verified by the Management and no discrepancies have been noticed on such verification; In respect of assets deployed under leasing, they were verified by the management under a programme for follow up and recovery of lease rentals, which in our opinion is reasonable having regard to the nature of the business and size of the Company.
 - ii) None of the fixed assets has been revalued during the year.
 - iii) The Company does not hold any stocks, stores, finished goods or raw materials except inventories for books and forms and gift articles, used in the business of Hire Purchase and Equipment Leasing and such inventories were physically verified by the Management at periodical intervals.
 - iv) The procedure for physical verification adopted by the Management is reasonable, having regard to the nature of business and size of the Company.
 - v) The valuation of stocks is in accordance with the normally accepted principles of accounting and is on the same basis as in the preceding year.
 - vi) The Company has not taken any loans from Companies, Firms, or other parties, listed in the Register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
 - vii) In our opinion the terms and conditions on which advances by way of Hire Purchase Finance granted to Companies, Firms or other parties listed in the Registers maintained under Section 301 and to Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 are not prima facie prejudicial to the interests of the Company.
 - viii) Loans or advances in the nature of loans given by the Company :
 - a) In respect of advances in the nature of loans, parties are generally repaying the principal and interest as stipulated.
 - b) In respect of advances to the staff, recoveries are being made as stipulated. No interest is charged on these advances.