

ANNAMALLAI FINANCE LTD

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



ANNUAL REPORT 1998





ANNAMALLAI FINANCE LTD

Board of Directors

Sri S.V. Balasubramaniam	Chairman
Sri S.V. Alagappan	Vice-Chairman
Sri M. Nataraj	
Sri R.R. Kumar	
Sri K.N. Lakshminarayanan	
Dr. S.V. Kandasami	
Sri S.V. Balakrishnan	
Sri S.V. Arumugam	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
Indian Overseas Bank

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, 1st Floor, Door No. 1 & 2, Lalbagh Road, Bangalore - 560 027, Phone : 2227365
Chennai - Anna Nagar	1st 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	No. 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, 5786776
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, 15, Catchery Road, Gobichettipalayam - 638 452, Phone : 22924
Karaikudi	33, Maharonbu Agraharam, Karaikudi - 623 001, Phone : 23029
Kozhikode	Tripuri Building, 3 / 568, Wynad Road, East Nadakavu, Kozhikode - 673 011 Phone : 765837
Kumbakonam	38, Ayekulam Road, Kumbakonam - 612 001, Phone : 423575
Madurai	174-A, First Floor, North Veli Street, Madurai - 625 001, Phone : 740450, 743710
Mumbai	605, Maker Chambers-V, 221, Jamnalal Bajaj Road, Nariman Point, Mumbai - 400 021, Phone : 2843602, 2850588 & 2850589
Pondicherry	Plot No. 4, Kamaraj Street, 1st Floor, Brindavanam, Pondicherry - 605 013, Phone : 338507
Pollachi	Lourdass Church Complex, Opp. Panchayat Union Office, Paighat Road, Pollachi - 642 001, Phone : 25909
Pune	No. 11, Priya Society, Tadiwala Road, Pune - 411 001, Phone : 535956 & 533927
Salem	'Raghavendra Complex', 67, First Floor, First Agraharam, Salem - 636 001 Phone : 266513, 267899
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 : 334044 & 334307
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 **Eighteenth Annual General Meeting** of the Shareholders of the Company will be held on Monday the 28th day of September, 1998 at 9.30 A.M. at Nani Kalai Arangam, Mani Higher Secondary School, Pappanaickenpalayam, Coimbatore-641 037 to transact the business set out in the Agenda given 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, 1998 and to consider the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To elect a Director in the place of Dr. S.V. Kandasami who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Sri. S.V. Balakrishnan 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 re-appointment.

Special Business

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

RESOLVED THAT consent/sanction/approval of the Company be and is hereby accorded

- a) Under appropriate provisions of the Companies Act, 1956 and of the Listing Agreement for the issue of Non-Convertible Secured Debentures up to an amount of Rs. 20 crores by Private Placement and for such Debentures to be issued and allotted to any person or persons, Companies, Banks or Financial Institutions whether or not those allottees are existing shareholders of the Company.

- b) Under Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to mortgage and/or charge any of the properties of the Company whether movable or immovable and of the present or future, or the whole of or substantially the whole of the undertaking of the Company, conferring power to enter into and take possession or management thereof in certain events, in favour of Debenture Holders/Trustees of Debenture Holders to secure the Non Convertible Debentures up to an amount of Rs. 20 crores.

- c) To the Board of Directors to finalise the terms and conditions of issue of the Non Convertible Debentures and the security to be created and to agree to the terms and conditions of the subscription Agreement, Trustee Agreement, Trust Deed, Letters of Sanction/Memorandum of terms and conditions to be entered into by the Company and execute or cause to be executed the necessary Agreements and Documents and writings and to do such acts and things as may be necessary to give effect to the above resolution.

7. To consider and if thought fit, to pass with or without modification the following resolution which is intended to be proposed as Special Resolution :

RESOLVED THAT the existing Article 108 of the Articles of Association be deleted and that the following be substituted therefor :

108. The Board shall provide for the safe custody of the Common Seal and the Seal shall never be used except by the authority previously given by the Board or a Committee of the Board authorised by the Board in that behalf; any one Director as the Board may appoint shall sign every instrument to which the Seal is affixed. Provided nevertheless that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Board to issue the same.

Coimbatore
25.06.1998

By order of the Board,
N. Avinashilingam
Company Secretary

Annamallai Finance Limited

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 relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business under Item (6) and (7) are annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.1998 to 28.09.1998 (both days inclusive).
5. 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 28.09.1998.
6. 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, 1994, 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.

Explanatory Statement under Section 173 of the Companies Act, 1956

Item No. 6

The Board of Directors have proposed to augment the Financial resources of the Company by the issue of Non Convertible Redeemable Secured Debentures of Rs. 1,000/- each for cash at par on Private Placement basis. The proposed security is Hire Purchase and Lease receivables and/or Wind Mill and any other Asset as may be decided by the Board of Directors to be offered as Security. Since the proposed issue will be Private Placement and it is not intended to offer the Debentures prorata to existing shareholders, the approval of the shareholders is sought under Clause 23 (a) of the Listing Agreement. Consent of the Company is also sought under Section 293 (1) (a) of the Companies Act, 1956.

The proposed borrowal by Debentures will be within the limit set by resolution passed under Section 293 (1) (d) of the Companies Act, 1956 on 30.08.1995.

The Board of Directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 7

At present, the Common Seal of the Company is affixed wherever required, in the presence of atleast two Directors. In view of the increased volume of activities of the Company, the Company has to execute various documents frequently with common seal. The Board feels that the Articles of Association may be amended to provide for affixing common seal in the presence of only one Director. Hence it is proposed to amend Article 108 of the Company's Articles of Association suitably as per the text of the resolution placed before the members for their approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Coimbatore
25.06.1998

By order of the Board,
N. Avinashilingam
Company Secretary



Directors' Report

Your Directors have great pleasure in presenting the **Eighteenth Annual Report** together with the audited accounts for the year ended 31st March, 1998.

Working Results

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

(Rs. in lakhs)

Profit before provision under Reserve Bank directions, Depreciation, Lease equalisation charge, etc.	1182.75
Less : Provision against Non Performing Assets (NPA)	234.62
Provision for fall in value of investments	16.27
Provision for Depreciation	542.61
Lease Equalisation Charge	210.77
Balance of profit before tax	178.48
Less : Provision for Income-tax on Book Profits	18.74
Balance of profit after tax	159.74
Add : Surplus brought forward from last year	28.42
Total profit available for appropriation	188.16

Your Directors recommend the following appropriation :

Provision for Proposed Equity Dividend	112.52
Provision for Proposed Tax on Distributed Profits	11.25
Transfer to Statutory Reserve	31.95
Surplus carried over to Balance Sheet	32.44
	188.16

Dividend

Your Directors are constrained to recommend dividend at a lower rate of 10% on the amount paid up on 1,12,52,400 Equity Shares of Rs. 10/- each as against 27% paid in last year. The dividend will absorb Rs. 112.52 lakhs. Provision has also been made towards proposed tax on distributed profits, amounting to Rs. 11.25 lakhs.

Certification of RBI

Your Directors are happy to report that the Company has been granted Certificate of Registration No. 07-00205 dated 30.03.1998, by the Reserve Bank of India to carry on the business of Non-Banking Financial Institutions. Your Company is one among the few companies to be so certified by the Reserve Bank of India, under the amended provisions of RBI Act for Registration of NBFC's.

REVIEW OF OPERATIONS

Business

During the year under review, the Company deployed Rs. 4,638.54 lakhs (Rs. 4,155.67 lakhs) under Hire Purchase contracts, Rs. 1,442.28 lakhs (Rs. 1,230.03 lakhs) under Financial Lease, Rs. 486.00 lakhs (Rs. 12.27 lakhs) under Operational Lease and Rs. 371.01 lakhs (Rs. 1,131.31 lakhs) against discounting of trade bills. The severe recession in the economy affected most of the corporates and the transport sector financed by the Company. Hence difficulties were encountered in recovery of the instalments from hire purchase/lease customers. Consequently, the Company had to make higher amount of provision against non-performing assets as per amended directions of the Reserve Bank of India. This has a reflection in the profitability.

The comparative figures of performance are as follows :

	Years ended	
	31.3.1998	31.3.1997
	(Rs. in lakhs)	
Stock-on-hire under HP Agreement	8,400.96	7,447.44
Gross Value of Assets leased	7,587.72	6,829.80
Public Deposits	8,443.64	7,719.38
Gross Income	4,063.70	4,158.86
Profit before provision against NPA, fall in value of investments, depreciation, lease equalisation charge and Taxation	1,182.75	1,336.27

Annamallai Finance Limited

Resources Mobilisation

During the year, the Company obtained sanction from Small Industries Development Bank of India for a fresh refinance term loan of Rs. 500 lakhs and the entire amount was availed before the close of the financial year. Your Company also availed Rs. 175 lakhs out of term loan of Rs. 1,500 lakhs sanctioned by The Industrial Credit & Investment Corporation of India Ltd. in the last year. The above finances 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

As per the recent Directions of the Reserve Bank of India dated 31.01.98, your Company, for the present Credit Rating of 'FA+' awarded by CRISIL, can accept Public Deposits to the extent of Rs. 5481 lakhs which is 1.5 times of the Net owned funds as on 31.03.1998. Reserve Bank of India has granted time to repay/regularise excess deposits till 31.12.2000 subject to the condition that one third of the excess is repaid before the end of December every year so that the entire excess deposit is repaid/regularised by 31.12.2000.

As on 31.03.1998, 1934 deposits totalling to Rs. 229.44 lakhs remained unclaimed on the due dates; since then 350 deposits involving Rs. 39.90 lakhs were either renewed or repaid as per instruction of the parties and 1584 deposits involving Rs. 189.53 lakhs still remain unclaimed and close follow-up is being made to obtain instructions of the depositors.

Credit Rating

The Credit Rating Services of India Ltd. (CRISIL) has revised the rating for our Fixed Deposit Programme from 'FAA-' to 'FA+' indicating adequate safety. The main reason for downward revision is, the difficulties being encountered by the industry due to recession in the economy and also regulatory changes introduced by Reserve Bank of India reducing the permissible limit for acceptance of deposits.

Prudential norms prescribed by the Reserve Bank of India

Your Directors are happy to report that the Company has complied with the revised prudential norms prescribed by the Reserve Bank of India as per Notification No. DFC. 125/ED (G) - 98 dated 12.05.1998 for income recognition and provisioning for NPA. The Company has achieved a capital adequacy ratio of 24.68% as compared with the minimum of 10% prescribed by the Reserve Bank of India.

Prospects

The Company has to be selective in its business of Hire Purchase and Lease Financing keeping in view of the liquidity crunch and recession in the industry affecting every segment of borrowers. The level of public deposits will be reduced to fall in line with the eligible limit permissible under amended RBI Directions. Steps will be taken to augment the resources by issue of secured instruments and thereby maintain the level of advances. If the budgetary measures are found to be fruitful, the recovery from customers will improve thus helping the Company to withdraw the provision made against non-performing assets and thereby improve the profitability of the Company.

Reserves and Surplus

Your Directors have recommended for appropriation towards Statutory Reserve, a sum of Rs. 31.95 lakhs 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. 2,997.00 lakhs as against Rs. 2,961.03 lakhs in last year.

Subsidiaries

1) Cream Investment & Trading Co. Ltd

This subsidiary made a net loss of Rs. 43.89 lakhs after paying interest of Rs. 74.72 lakhs to the holding Company. The performance may be considered satisfactory as the stock markets



remained subdued during major part of the year. The performance of this subsidiary depends upon the capital market conditions and may improve with improvement in the outlook for trading in stock market.

2. Annamalai Properties Ltd.

This subsidiary made a net loss of Rs. 5.53 lakhs. The performance of the subsidiary will improve if the economy revives with budgetary support for development of infrastructure and housing projects.

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

DIRECTORS

Dr. S.V. Kandasami and Sri. S.V. Balakrishnan 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. 11.00 lakhs
Qualification /	: B.Sc. ACA
Experience	: 18 years
Date of commencement of employment	: 25.6.1980
Age	: 50 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.

Listing

The shares of the Company are listed in Coimbatore, Madras, Mumbai and National Stock Exchanges and the Company has paid the annual listing fees to these Stock Exchanges.

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 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, Industrial Finance Corporation of India Ltd., Small Industries Development Bank of India and Indian Renewable Energy Development Agency Ltd. for the credit facilities extended to the Company. Your Directors also wish to place on record their appreciation for the continued good services rendered by the employees of the Company.

Coimbatore
25.06.1998

By order of the Board,
S.V. Arumugam
Managing Director

Annamallai Finance Limited**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	: 31.03.1998	31.03.1998
3) Holding Company's interest in the subsidiary	: 2,00,045 shares of Rs. 100/- each (99.92%)	19,96,493 Equity Shares of Rs. 100/- each (99.82%)
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 31.03.98	: Rs. (43,85,518/-)	Rs. (5,51,502/-)
b) For the previous financial years of the subsidiary and upto 31.03.98	: Rs. (24,24,099/-)	Rs. (5,15,815/-)
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

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