

ANNAMALLAI FINANCE LTD



ANNUAL REPORT 1999



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 : 435555	
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. 7, D.B. Road, R.S. Puram, Coimbatore 641 002	

Annamallai Finance Limited

BRANCHES

Bangalore	Royal Corner, 1st Floor, Door No. 1 & 2, Lalbagh Road, Bangalore - 560 027, Phone : 2227365, 2273207
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
- Mylapore	147, Luz Church Road, Mylapore, Chennai - 600 004, Phone : 4992993, 4993050
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 : 226900
Gobichettipalayam	Bannari Amman Building, 15, Catchery Road, Gobichettipalayam - 638 452, Phone : 22924
Karaikudi	33, Maharanonbu Agraharam, Karaikudi - 623 001, Phone : 38229
Kozhikode	Tripuri Building, 3 / 568, Wynad Road, East Nadakavu, Kozhikode - 673 011 Phone : 365837
Kumbakonam	38, Ayekulam Road, Kumbakonam - 612 001, Phone : 423575
Madurai	174-A, First Floor, North Veli Street, Madurai - 625 001, Phone : 630450, 630710
Mumbai	605, Maker Chambers-V, 221, Jammalal Bajaj Road, Nariman Point, Mumbai - 400 021, Phone : 2843602 & 2850588
Pondicherry	Plot No. 4, Kamaraj Street, 1st Floor, Brindavanam, Pondicherry - 605 013, Phone : 338507
Pollachi	39, Kovai Road, Pollachi - 642 001, Phone : 25909
Pune	No. 11, Priya Society, Tadiwala Road, Pune - 411 001, Phone : 4333927, 4331917
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, 412545, 414212
Vellore	'Krishna Kudil', First Floor, 15 / 3, Arani Road, Vellore - 632 001, Phone : 226371
Villupuram	No.16, Ranganathan Road, Villupuram - 605 602, Phone : 23780.



Notice to Shareholders

NOTICE is hereby given that the **Nineteenth Annual General Meeting** of the Shareholders of the Company will be held on Monday, the 27th day of September, 1999 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, 1999 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. S.V. Alagappan who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Sri. M. Nataraj 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 special resolution :
RESOLVED that approval under Section 149 (2A) of the Companies Act, 1956 be and is hereby accorded to the Board of Directors of the Company for the commencement of the business covered under Clause 3 of Para-III(C) of the Memorandum of Association of the Company.

Coimbatore
28.06.1999

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 16.09.1999 to 27.09.1999 (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 27.09.1999.
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, 1995, 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.
6. Pursuant to Section 205C of the Companies Act, 1956, the Unpaid Dividends for the years ended 31st March, 1996, 1997 and 1998 which remain unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account will be transferred to the Investor Education and Protection Fund; Shareholders are informed that no claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

Explanatory Statement Under Section 173 of the Companies Act 1956

Item No. 6

The Company intends to diversify in the business of manufacturing textiles by establishing textile manufacturing units. The existing Clause 3 of Para III (C) of the Memorandum of Association empowers the Company to undertake the said new line of business. As per Section 149 (2A) of the Companies Act, 1956, the prior approval of shareholders of the Company is required through a special resolution. The Board recommends the adoption of the resolution as per text contained in the agenda placed before the shareholders.

As a registered Non-Banking Finance Company engaged

in equipment leasing/hire purchase as principal line of business, 60% of the total assets and 60% of the total income of the Company will continue to be maintained in the financial assets generated by equipment leasing/hire purchase. The Company will also continue to comply with all other directions of the Reserve Bank of India applicable to a Non-Banking Finance Company.

None of the Directors of the Company is concerned or interested in the above resolution.

Coimbatore
28.06.1999

By Order of the Board,
N. Avinashilingam
Company Secretary

Annamalai Finance Limited**Directors' Report**

Your Directors are pleased to present the **Nineteenth Annual Report** along with audited accounts for the year ended 31st March, 1999.

Financial Results

	(Rs. in lakhs)	
	1998-99	1997-98
Profit before Depreciation, provision under RBI Directions lease equalisation charge, etc.	1125.60	1182.75
Less : Provision against Non Performing Assets (NPA)	4.25	234.62
Provision for fall in value of investments	90.18	16.27
Provision for Depreciation	610.11	542.61
Lease Equalisation Charge	303.02	210.77
Profit before tax	1007.56	1004.27
Less : Provision for taxation	118.04	178.48
Profit after tax	13.64	18.74
Add : Surplus brought forward from previous year	104.40	159.74
	32.44	28.42
Total Profit available for appropriations	136.84	188.16
Your Directors recommend the following appropriations :		
Provision for Proposed Dividend	67.51	112.52
Provision for Tax on Proposed Dividend	6.75	11.25
Transfer to Statutory Reserve	20.88	31.95
Surplus carried over to Balance Sheet	41.70	32.44
	136.84	188.16

Dividend

In view of the reduced amount of profits available for distribution, your Directors could recommend a dividend of 6% only on the paidup equity share capital of the Company.

Business

In a year which witnessed restricted flow of funds to NBFCs and slow down in demand for vehicles, your Company disbursed Rs. 1,629.80 lakhs (Rs. 4,638.54 lakhs) under Hire Purchase and Rs. 1,016.78 lakhs (Rs. 1,442.28 lakhs) under Financial Lease.

The severe recession in various industries had an adverse effect on the transport sector and also on the corporate borrowers, making it difficult for the Company to recover the instalments as per the agreed due dates.

Your Directors, with a view to insulate the Company from the obligations of managing and recovering the debts and also with a view to ensure recovery of the arrears of HP/Lease receivables, assigned a specified portfolio of such receivables valued at Rs. 1,227.82 lakhs of which Rs. 100 lakhs is already received within the financial year from the assignees. The Company is assured of full realisation of these receivables in agreed instalments

from the assignees, backed by a sound corporate guarantee.

Deposits

As per the latest Directions of the Reserve Bank of India (RBI), your Company can accept Public Deposits upto a limit of Rs. 15,139.76 lakhs which is 4 times the Net Owned Funds as on March 31, 1999. Deposits from Public as on March 31, 1999 stood at Rs. 7,323.97 lakhs as against Rs. 8,443.64 lakhs last year.

Deposits matured but not claimed as on March 31, 1999 amounted to Rs. 181.77 lakhs (1,548 deposits). Out of this 750 deposits totalling to Rs. 101.81 lakhs have been since settled or renewed. Efforts are on to get the instructions of the depositors for the remaining deposits to expedite repayment or renewal.

Prospects

The economy, especially the industrial sector has still not recovered from the recession. The entry of foreign companies has resulted in increased competition and narrowing of spreads. Your Company has been able to weather the recent storms in the industry and the economy during its worst phase.



Even in these adverse conditions, your Company is positioned as a strong player among NBFCs and would continue to realign its strategies to post a reasonable business in the coming year. Your Company will focus on reduction of borrowing costs, and improvement in asset quality in the coming year.

Prudential norms for NBFCs

Your Company has strictly followed the Directions issued by the RBI for capital adequacy, income recognition, investment accounting and provisioning for Non-performing Assets. As per above guidelines, the capital adequacy ratio works out to 27.45% which is substantially higher than the 12% prescribed. Vigorous efforts are taken to expedite collection of arrears from defaulting customers and to further reduce the provisioning under RBI Directions.

Diversification

Your Directors have evolved a plan to diversify the activities of the Company by establishing textile manufacturing units. Necessary resolution is placed before the shareholders for their approval to commence the business as required under Section 149 (2A) of the Companies Act, 1956.

As a registered Non-Banking Finance Company engaged in equipment leasing/hire purchase as principal line of business, 60% of the total assets and 60% of the total income of the Company will continue to be maintained in the financial assets generated by equipment leasing/hire purchase. The Company will also continue to comply with all other directions of the Reserve Bank of India applicable to a Non-Banking Finance Company.

Subsidiary Companies

Cream Investment & Trading Company Ltd., a Member of National Stock Exchange of India Ltd. continued its business of dealing in Wholesale Debt Market and Capital Market Segments. It has reported a loss of Rs. 52.86 lakhs after paying interest of Rs. 49.38 lakhs to the Holding Company. During the first quarter of current year the income from share broking has doubled corresponding to the same period of last year. This subsidiary is hopeful of posting good income during the current year.

Annamalai Properties Ltd. is engaged in developing residential/commercial complexes. It has reported a loss of Rs. 10.82 lakhs after providing for interest of Rs. 13.73 lakhs on advances from Holding Company. This subsidiary had been able to sell some properties during the current year. This subsidiary expects to turnaround and show better performance during the current year.

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

DIRECTORS

Sri. S.V. Alagappan and Sri. M. Nataraj, Directors of your Company will retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

Particulars of employees

The information required as per Section 217(2A) of the Companies Act, 1956 are furnished below :

Name	: Sri S.V. Arumugam
Designation /	
Nature of duties	: Managing Director
Gross Remuneration	: Rs. 10.77 lakhs
Qualification	: B.Sc., ACA
Age	: 50 years
Experience	: 19 years
Date of commencement of employment	: 25.6.1980
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.

Information as per Section 217 (1) (e) of The Companies Act, 1956

Your Company has no activity relating to consumption of energy or technological absorption. Your Company does not have any foreign exchange earnings or outgo.

Listing

The shares of your Company are listed in Coimbatore, Madras, Mumbai and National Stock Exchanges. The prescribed annual listing fees has been paid.

Y2K Compliance

All Software and Hardware used in the operations of the Company are Y2K Compliant. The cost incurred towards Y2K Compliance was not significant. Your Company has adequate contingency plans to cover the eventuality of any Software or Hardware proving to be Non-Y2K Compliant.

Auditors

M/s. V.K.S. Aiyer and Coy., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Acknowledgement

Your Directors place on record their appreciation to the Company's Bankers and Financial Institutions for their support. Your Directors also thank the Customers and Depositors for their continued encouragement and support. Your Directors also wish to place on record the contribution of the employees at all levels.

Coimbatore
28.06.1999

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

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	: 31.03.1999	31.03.1999
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. 10/- 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 31.03.99	: (Rs. 52,81,875/-)	(Rs. 10,80,140/-)
b) For the previous financial years of the subsidiary and upto 31.03.99	: (Rs. 77,05,974/-)	(Rs. 15,95,955/-)
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



Auditors' Report

1. We have audited the attached Balance Sheet of ANNAMALLAI FINANCE LIMITED as at 31st March, 1999 and the Profit and Loss Account for the 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, 1999 and the Profit and Loss Account for the 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) In our opinion, the Profit and Loss Account and Balance Sheet comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) 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, 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; in respect of loans which are overdue, reasonable steps have been taken by the Company for recovery of the same.

Annamallai Finance Limited

- b) In respect of advances to the staff, recoveries are being made as stipulated. No interest is charged on these advances.
- c) In respect of Hire-Money due on stock on hire under Hire Purchase Agreements entered into by the Company in the ordinary course of business, where instalments are overdue, we are of the opinion that reasonable steps have been taken by the Company for recovery of the same.
- ix) In our opinion and in accordance with the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for purchase of components, plant and machinery, equipments and other assets and for the sale of goods.
- x) There were purchases of equipments and vehicles and services availed for values aggregating to Rs. 50,000 or more during the year, in respect of each party, from firms, companies or other parties, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 and in our opinion the price paid for such items are reasonable having regard to the market prices for such goods/materials and services and as compared to the prices of similar items supplied by other parties.
- xi) The Company has no unserviceable or damaged stores and raw materials. Hence determining the value of the same does not arise.
- xii) The Company has accepted Deposits from the Public and has complied with the Directions issued by the Reserve Bank of India and the provisions of Section 58-A of the Companies Act, 1956 and the Rules framed thereunder, wherever applicable.
- xiii) The Company does not have any by-product or scrap and hence the question of maintaining records for the same does not arise.
- xiv) The Company has an Internal Audit System which in our opinion is commensurate with its size and nature of business.
- xv) The Central Government has not prescribed the maintenance of any records under Section 209 (1) (d) of the Companies Act, 1956.
- xvi) According to the books of the Company, the Provident Fund dues and Employees State Insurance dues have been regularly deposited with the appropriate authorities.
- xvii) There are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax as at the last day of financial year.
- xviii) In our opinion and as per verification made by us, none of the personal expenses have been charged to the revenue account of the Company, other than those payable under contractual obligation of the Company.
- xix) The Company is not a Sick Industrial Company within the meaning of clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xx) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities.
3. We further report that subject to the above remarks and read with the Notes on Accounts, the above Balance Sheet and Profit and Loss Account give a true and fair view.
- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 1999; and
- ii) In the case of Profit and Loss Account, the Profit earned by the Company for the year ended on that date.

For V.K.S. AIYER AND COY
Chartered Accountants
V.S. SRINIVASAN
Partner
Auditors

Coimbatore
28.06.1999

**BALANCE SHEET as at 31st March, 1999**

	Schedule	As at 31.3.99	As at 31.3.98
I. SOURCES OF FUNDS (Rs. in lakhs)			
1. SHAREHOLDERS' FUNDS			
a) Capital	1	1,125.24	1,125.24
b) Reserves & Surplus	2	3,027.14	2,997.00
2. LOAN FUNDS			
a) Secured	3	2,466.11	4,491.60
b) Unsecured Loans	4	7,323.97	8,443.64
TOTAL		13,942.46	17,057.48
II. APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
a) Gross Block		8,738.39	8,651.26
b) Work in progress		—	49.01
c) Less : Depreciation		2,214.51	2,181.07
Sub-total		6,523.88	6,519.20
d) Less : Lease Terminal Adjustment		641.91	499.69
e) Net Block		5,881.97	6,019.51
2. INVESTMENTS	6	2,413.04	2,949.32
3. CURRENT ASSETS, LOANS & ADVANCES			
a) Stock-on Hire under Hire Purchase Agreements	7	5,203.02	8,400.96
b) Stock of Stationery & other Inventories		3.89	7.67
c) Sundry Debtors	8	1,381.37	278.44
d) Cash & Bank Balances	9	804.05	1,837.88
e) Interest accrued on Loans and Advances		382.12	295.75
f) Loans & Advances	10	1,032.46	1,072.72
		8,806.91	11,893.42
Less : CURRENT LIABILITIES & PROVISIONS			
a) Liabilities	11	2,947.19	3,560.31
b) Provisions	12	221.90	257.39
		3,169.09	3,817.70
NET CURRENT ASSETS		5,637.82	8,075.72
4. MISCELLANEOUS EXPENDITURE	13	9.63	12.93
TOTAL		13,942.46	17,057.48

Subject to our report of even date attached.

For and on behalf of the Board

For V.K.S. Aiyer & Coy.
Chartered AccountantsK.N. Lakshminarayanan
DirectorS.V. Balasubramaniam
ChairmanV. S. Srinivasan
Partner,
AuditorsN. Avinashilingam
Company SecretaryS.V. Arumugam
Managing DirectorCoimbatore
28.06.1999