

ANNAMALLAI FINANCE LTD

CERTIFIED TRUE COPY

For Annamallai Finance Limited


Company Secretary



ANNUAL REPORT 2000



ANNAMALLAI FINANCE LTD

Board of Directors

Sri S.V. Balasubramaniam
Sri S.V. Alagappan
Sri M. Nataraj
Sri R.R. Kumar
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 : 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
ICICI Bank Ltd.

Auditors

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

Internal Auditors

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

Company Secretary

Sri N. Avinashilingam

Share Transfer Agents

Shiva Capitols Pvt. Ltd.
7, D.B. Road,
R.S. Puram,
Coimbatore 641 002

Annamalai 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 - 682 016, 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	51, Maharanonbu Agraharam, Karaikudi - 623 001, Phone : 38229
Kozhikode	Tripuri Building, 3 / 568, Wynad Road, East Nadakavu, Kozhikode - 673 011 Phone : 3165837
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, Jamnalal 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	Sarada Business Centre, 2151, Vijayanagar Colony, Sadashiv Peth, Pune - 411 030, Phone : 4335956, 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 **Twentieth Annual General Meeting** of the Shareholders of the Company will be held on Thursday, the 21st day of December, 2000 at 9.00 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 period ended 30th June, 2000 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. R.R. Kumar who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Dr. S.V. Kandasami 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 as an ordinary resolution :
RESOLVED that the reappointment of Sri. S.V. Arumugam as Managing Director of the Company for a further period of five years with effect from 25.6.2000 and remuneration payable to him as detailed below, be and are hereby approved.
 - I. Salary : Rs. 50,000/- per month (Rupees fifty thousand only).
 - II. Commission : 1% of the Net Profit of the Company.
 - III. Perquisites : Perquisites as given below which will be restricted to an amount equal to the annual salary i.e. Rs. 6,00,000/- per annum.

Category - A :

- (i) Housing :
House Rent Allowance of Rs. 10,000/- per month.
- (ii) Gas, Electricity and Water :
Reimbursement not exceeding 10% of the salary.
- (iii) Medical reimbursement :
The expenditure incurred by the Company for the Managing Director and his family towards reimbursement of actual expenses.

- (iv) Leave Travel Concession :
For the Managing Director and his family once in a year for travel including foreign travel.
- (v) Club Fees :
Fees of clubs other than admission and life membership fees.
- (vi) Personal Accident Insurance :
Premium not to exceed Rs. 4,000/- per annum.
- (vii) Contribution to Provident Fund and Superannuation Fund as per Rules of the Company.
- (viii) Gratuity not exceeding one-half month salary for each year of completed service.

Explanation :

The word 'family' wherever it occurs herein above means the spouse, the dependent children and dependent parent of Sri. S.V. Arumugam.

Provision of car with driver for use on Company's business and telephone facility at his residence will not be considered as perquisites.

Minimum Remuneration :

Where in any financial year, during the currency of tenure of the Managing Director, the Company has no profits or if profits are inadequate it may pay him remuneration adopting the scale prescribed in Section II of Part II in Schedule XIII of the Companies Act, 1956.

7. To consider and if thought fit, to pass with or without modification the following special resolution :

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company, be and are, hereby altered as under :

The following new Article 51A be inserted after the existing Article 51.

NOMINATION

51A. Subject to the Provision of Section 109A and 109B of the Companies Act, every holder or joint holders of Shares or Debentures may at any time nominate a person to whom his/their Shares or Debentures shall vest in the event of death and such nominee may either register himself as the holder of the Shares or Debentures, as the case may be or make such transfer of such Shares or Debentures as the deceased Shareholder(s) or Debentureholder(s) could have made.

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8. To considered and if thought fit, to pass with or without modification the following special resolution :

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company, be and are, hereby altered as under :

The following new Article 48A be inserted after the existing Article 48.

48A. Notwithstanding anything contained in Article 48 on the death of a member where he was a sole holder, if the member has filed a nomination in the prescribed form, the nominee shall be the only person recognised by the Company as having any title to his interest in the shares.

9. To considered and if thought fit, to pass with or without modification the following special resolution :

RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company, be and are, hereby altered as under :

The following new Article 21A be inserted after the existing Article 21.

DEPOSITORY SYSTEM

- 21A. (i) The Company shall be entitled to dematerialise its existing shares and other securities,

rematerialise its shares and other securities held in the depositories and/or offer its fresh shares and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any. The expression "dematerialise" means converting physical certificates to electronic form. The expression "rematerialise" is the opposite of dematerialise.

- (ii) Notwithstanding anything to the contrary contained in the Act or these Articles the Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.
- (iii) A depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (iv) Every person holding shares of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company and such beneficial owner is entitled to all the rights and benefits of a member.

By order of the Board,

Coimbatore
23.09.2000

N. Avinashilingam
Company Secretary

Note :

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 at least 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 16.12.2000 to 21.12.2000 (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 21.12.2000.
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, 1998 and 1999 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

Sri. S.V. Arumugam is the Managing Director of the Company since inception. Considering his professional qualification, vast business experience and in the interest of continuity of day to day management, the Board of Directors at their meeting held on 29.5.2000, reappointed Sri. S.V. Arumugam as the Managing Director for a further period of five years with effect from 25.6.2000. The terms and conditions of reappointment are set out in the text of the resolution contained in the Notice for the Annual General Meeting, which may also be treated as the Notice under Section 302 of the Companies Act.

The remuneration and perquisites proposed are within the limits prescribed in Part II of Schedule XIII of the Companies Act, 1956.

The necessary resolution is placed before the members for their approval.

Sri. S.V. Balasubramaniam, Chairman, Sri. S.V. Alagappan, Vice Chairman, Sri. S.V. Arumugam, Managing Director, Dr. S.V. Kandasami and Sri. S.V. Balakrishnan, Directors are interested in this resolution.

Item No. 7

The Companies (Amendment) Act, 1999 has inter alia, made a provision through Sections 109A and 109B where by a holder or joint holders of shares or debentures can nominate a person to whom all the rights in the shares or debentures of a Company shall vest in the event of the death of such holder(s). Such a nominee can elect either to be registered himself as the holder of the shares or debentures or make such transfer of the shares or debentures as the deceased holder(s) of shares or debentures could have made. It is therefore, proposed to incorporate a new Article 51A in the Articles of Association of the Company providing for nomination facility in accordance with the provisions of Sections 109A and 109B of the Companies Act, 1956. Hence this resolution is placed before the meeting for the approval of the members.

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

Item No. 8

Consequent to the insertion of Article 51A an amendment has to be made in Article 48 which deals with transmission of shares. This amendment recognises nominee as the person entitled to the shares held by a member who is a sole holder of shares.

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

Item No. 9

The Securities and Exchange Board of India has decided that the trading in equity shares of the Company shall compulsorily be in dematerialised form with effect from 26.02.2001.

With the enactment of Depositories Act, 1996 and amendments to certain provisions of the Companies Act, 1956, a new Article is proposed to be introduced with a view to facilitating holding of shares in electronic mode with a depository. Holding of shares in electronic mode is only optional and it is not compulsory. The proposed alteration to the Articles of Association requires the approval of the members by a Special Resolution. Accordingly the Special Resolution is placed before the members for their approval.

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

Inspection of Documents

The Articles of Association of the Company referred to in the Resolutions at Item Nos. 7 to 9 together with the proposed alterations are available for inspection of the members of the Company at the Registered Office of the Company between 10.00 A.M. and 1.00 P.M. on all working days upto and including the day of the Annual General Meeting.

Coimbatore
23.09.2000

By Order of the Board,
N. Avinashlingam
Company Secretary

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Directors' Report

Your Directors have pleasure in presenting the **Twentieth Annual Report** with the Audited Statement of Accounts for fifteen months period ended June 30, 2000.

Financial Results

	15 Months ended 30.06.2000	(Rs. in lakhs)	Year ended 31.03.1999
Profit before Depreciation, provision under RBI Directions lease equalisation charge, etc.	1690.23		1125.60
Less : Provision against Non Performing Assets (NPA)	384.27	4.25	
Provision for fall in value of investments	4.44	90.18	
Provision for Depreciation	744.25	610.11	
Lease Equalisation Charge	405.50	303.02	
	1538.46		1007.56
Profit before tax	151.77		118.04
Less : Provision for taxation	—		13.64
Profit after tax	151.77		104.40
Add : Surplus brought forward from previous year	41.70		32.44
Total Profit available for appropriations	193.47		136.84
Your Directors recommend the following appropriations :			
Provision for Proposed Dividend	67.51		67.51
Provision for Tax on Proposed Dividend	14.86		6.75
Transfer to Statutory Reserve	30.35		20.88
Surplus carried over to Balance Sheet	80.75		41.70
	193.47		136.84

Dividend

Considering the lower amount of profits available for distribution, your Directors could recommend a dividend of 6% (same as in last year) only on the paidup equity share capital of the Company.

Business

During the year under review your Company deployed Rs. 3,400.64 lakhs (Rs. 1,629.80 lakhs) under Hire Purchase, Rs. 1,236.34 lakhs (Rs. 1,016.78 lakhs) under Financial Lease, Rs. 1,195.00 lakhs (Nil) under operational lease.

Inspite of revival of the economy in some industrial segments, recession in the freight market continued, affecting the transport sector and the corporates. Hence difficulties were encountered in timely recovery of the instalments from Hire Purchase/Lease Customers. The Company had to make higher amount of provision against Non-Performing Assets. This is reflected in the overall profitability of the Company inspite of higher volume of deployment of funds and the earnings from liquidation of investments.

Deposits

The Company is having a Credit Rating of "MA" by Investment and Credit Rating Agency (ICRA) indicating adequate safety. As per the latest Directions of Reserve Bank of India (RBI), your Company can accept Public Deposits upto a limit of Rs. 15,620.92 lakhs which is 4 times the Net Owned Funds as per the latest audited Balance Sheet. Deposits from Public as on June 30, 2000 stood at Rs. 6,658.73 lakhs as against Rs. 7,323.97 lakhs as on March 31, 1999.

Deposits matured but not claimed as on June 30, 2000 amounted to Rs. 172.46 lakhs (1409 deposits). Out of this 733 deposits totalling to Rs. 101.65 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

There has been hike in diesel prices without corresponding increase in freight rates. A threat of further hike in prices of petroleum products is looming large on the economy, which, if implemented, is likely to further dampen the cash flow position of transport operators and their ability to repay their borrowings. There is severe competition in the