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FOURTH ANNUAL REPORT

1997

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TRC Financial Services Ltd.

BOARD OF DIRECTORS

T. R. Chadha - Chairman
 Prem Nath Anand
 Anuj Anand
 Harsukh B. Gohel
 Manu Chadha, Whole Time Director
 Sumant Chadha, Whole Time Director
 Deepak Virmani
 (Alternate to Prem Nath Anand)
 Ajesh Tuli
 (Alternate to Anuj Anand)

**FINANCIAL CONTROLLER
 & COMPANY SECRETARY**

Bharat Bhushan Batra

AUDITORS

Johar & Kathpalia
 Chartered Accountants
 405, South-Ex Plaza-II
 South Extension II
 New Delhi - 110 049

BANKERS

Central Bank of India,
 Green Park, New Delhi

 Canara Bank,
 SDA Commercial Complex, New Delhi.

 Citi Bank N.A.,
 Connaught Place, New Delhi.

REGISTERED OFFICE

C-11, SDA Commercial Complex,
 New Delhi - 110 016.

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NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Members of TRC Financial Services Limited will be held on Monday, the 28th day of September, 1998 at 11.00 a.m. at ARJUN FARMS, (Khasra No. 11/16), Village Pindwala Khurd, Jhatikra Road, New Delhi-110 071, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors' & Auditors thereon.

2. To appoint a Director in place of Mr. Prem Nath Anand, who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint a Director in place of Mr. H.B. Gohel who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

"RESOLVED THAT M/s. Johar & Kathpalia, Chartered Accountants, New Delhi, be and are hereby re-appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS :**Item No. 5**

To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution.**

"RESOLVED THAT subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such

Item No. 6

To consider, and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution.**

"RESOLVED THAT the following new Clause V be substituted for the existing Clause V in the Memorandum of Association of the Company."

- V. The Authorised share capital of the company is Rs. 8,00,00,000 (Rupees Eight Crores) divided into 60,00,000 (Sixty lakhs) equity shares of Rs. 10/- (Rupees Ten) each and 20,00,000 (Twenty lakhs) preference shares of Rs. 10/- (Rupees Ten) each.

conditions and modification as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the company be and is hereby accorded to the Board to buy-back, from time to time from the existing holders of equity shares, such equity shares of the company, at such rates as may be deemed fit by the Board on such terms and conditions as the Board may think and deem fit and make payment for such purchases out of the funds from free reserves and/or issue of share premium account and/or out of the proceeds of any issue made by the company specifically for the purpose or out of such funds as may be laid under the law/rule and regulations and/or resale from time to time such number(s) of the shares so purchased at such rate(s) and terms and conditions as the Board may think and deem fit or proper.

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to do such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper subject to the terms and conditions permissible under law."

"RESOLVED FURTHER THAT nothing herein above contained shall confer any right on any shareholder to compel or any obligation on the part of the Company or the Board to buy-back any share(s)."

"RESOLVED FURTHER THAT the Board of Director of the Company shall exercise powers conferred by this resolution only after the necessary provision(s) for the purpose is incorporated in the Companies Act, 1956 or any statutory modification or re-enactment thereof and in such manner after complying with the conditions prescribed in such provisions or any other law or regulation and not otherwise."

"RESOLVED FURTHER THAT the following new Article No. 3 be substituted for the existing Article No. 3 of the Articles of Association of the company."

3. Authorised share capital of the company is Rs. 8,00,00,000 (Rupees Eight Crores) divided into 60,00,000 (Sixty lakhs) equity shares of Rs. 10/- (Rupees Ten) each and 20,00,000 (Twenty lakhs) preference shares of Rs. 10/- (Rupees Ten) each with power to subdivide, consolidate and increase and with power and subject to; any preferential, qualified or special rights, privileges or conditions as may be, thought fit, and upon the sub-division of shares to apportion the right to participate in profits, in any manner as between the shares resulting from sub-division.

Item No. 7

To consider, and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution**.

"RESOLVED THAT in accordance with the provisions of Section 80 and Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approval(s), consent(s), permission(s) and/or sanction(s) if any, as may be necessary and subject to such condition(s) and modification(s) as may be prescribed by any authority in granting such approval(s), consent(s), permission(s) and/or sanction(s) and which may be agreed to by the Board of Directors (hereinafter referred as the "Board"), the consent of the company be and is hereby given to authorise the Board to issue/offer redeemable preference shares whether cumulative or non-cumulative, convertible or non-convertible of the face value of Rs. 10/- each of an aggregate amount not exceeding Rs. 2 crores as the Board may in its sole discretion to the members, employees, banks, financial institutions, shareholders, investment institutions, Mutual Funds, Body Corporates, Overseas Corporate Bodies, NRIs, Foreign Financial Institutions and/or to such other persons or class of persons, whether through public issue, rights issue, private placement and in one or more tranches at such price or prices, on such terms and conditions including the number of shares to be issued, right of dividend, redemption, manner of redemption and related or incidental matters, as the Board may in its absolute discretion think fit.

"RESOLVED FURTHER THAT such of these shares to be issued, as are not subscribed may be disposed of by the Board to such person(s) and in such manner and on such terms as the Board may, in its absolute discretion, think most beneficial to the company."

RESOLVED FURTHER THAT the said Preference Shares be issued and allotted upon the following terms and conditions and subject to the following rights :

1. The said preference shares confer on the holders thereof the right out of the profits of the company which it shall be determined to distribute in dividends on the capital for the time being and from time to time paid-up thereon, such dividend to be calculated from such date or dates (being not later than the date of allotment) as may be fixed by the Directors, without any deduction therefrom on account of income tax payable by the Company and the right in a winding up, to payment of capital and arrears of dividend whether earned, declared or not up to the commencement of the winding up, in priority to the equity shares, but shall not confer any further right to participate in the profits or assets of the Company.

2. The Company shall be at liberty to issue further preference shares which shall rank for dividend and capital and in all other respects pari passu with the aforesaid preference shares provided however that such issue shall only be made with the consent in writing of the holders of not less than three fourth of the said preference shares then outstanding or with the sanction of a special resolution passed at a separate meeting of the holders of such preference shares.

3. The following provisions shall apply with regard to the redemption of the said preference shares :

A. The Company may, subject to the provisions of Section 80 and other applicable provisions. If any, of the Companies Act, 1956 on six months notice to the holders thereof, out of any profits or out of any proceeds of a fresh issue of shares made for the purpose of redemption or out of any moneys of the Company which may be lawfully applied for that purpose, redeem at par all or any of the said preference shares, and shall so redeem all the said shares provided that the Company shall not apply any of its profits for that purpose unless at the time when such redemption is effected the dividend on any preference shares not then redeemed shall have been paid down to the last date for payment thereof.

B. At the time, date and place so specified each preference shareholder, whose share or shares is or are notified for redemption, shall be bound to surrender to the Company the certificate or certificates in respect of the preference share or shares which is or are to be redeemed and upon receiving evidence of such surrender the Company shall cause to be paid

TRC FINANCIAL SERVICES LIMITED

to such holder the amount payable to him in respect of such redemption.

- C. The dividend on any shares becoming liable to redemption under the foregoing provisions shall cease to accrue as from the due date for redemption thereof, unless payment of the redemption moneys shall be refused, upon the holders demanding on or after the date and at the place specified for redemption, payment of the redemption moneys payable in respect thereof and tendering certificates for such shares and a receipt for the redemption moneys duly signed and authenticated in such manner as the Company may reasonably require; provided that in the event of the payment of the redemption moneys being refused on the due date, dividend at the fixed rate shall continue to accrue up to the actual date of redemption.

RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into and execute all such arrangements with any Merchant Banker/Lead Manager/Underwriters/Guarantors/Depositories/Custodians and all such agents/Intermediaries as may be involved or concerned in such offerings and to remunerate all such agents/intermediaries including by way of payment of commission, brokerage, fees or the like.

RESOLVED FURTHER THAT the Board be and is hereby authorised to fix the terms and conditions including differential levels of premia, terms of conversion, if considered appropriate for different types of issue and/or issues to different persons and/or issues in different tranches, pursuant to any regulations/directions/guidelines prescribed by any authority in this behalf, terms of options (in case of Warrants), and the benefits accruing to such securities and the Board be and is hereby further authorised to decide the form and manner and the persons to whom

such securities may be issued including the terms and conditions thereof at their sole discretion and to attach any special benefits to the said instruments/shares/warrants whether by way of detachable warrants resulting in shares/other entitlements in future or otherwise as they may deem fit.

RESOLVED FURTHER THAT the ranking and other rights attached to securities to be issued from time to time including the voting rights in respect of preference shares, if permissible, shall be determined by the Board at the time of each respective issue and shall be in accordance with the applicable law including guidelines issued in this behalf by SEBI and the terms and conditions of the Articles of Association of the Company at such time, with liberty to the Board either to issue non-voting shares in the event that issue of such shares is permissible at the relevant time or to participate in any contracts/agreements with regard thereto.

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the proceeds of issue of the redeemable preference shares and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

By Order of The Board
For TRC FINANCIAL SERVICES LIMITED

Place : New Delhi
Date : 29.07.1998

(B.B. BATRA)
Company Secretary

Notes :

1. The explanatory statement as required by Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.,
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL IN HIS/HER STEAD. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and Share Transfer Books of the company shall remain closed from 01.09.98 to 15.09.98 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
5. Members requiring information about the Accounts to be explained at the meeting, are requested to send their queries ten days prior to the meeting to the Registered Office of the Company.

Item No. 6

The total authorised capital of the company is Rs. 8,00,00,000 (Rupees Eight Crores) and the present paid up capital is Rs. 4,00,09,000 (Rupees Four crores nine thousand) and as the company may explore the option of issuing preference shares to augment its working capital requirement, the total authorised capital of Rs. 8,00,00,000 (Rupees Eight crores) is now proposed to be bifurcated into 60,00,000 (Sixty lakhs) equity shares of Rs. 10/- (Rupees Ten) each amounting to Rs. 6,00,00,000 (Rupees Six crores) and 20,00,000 (Twenty lakhs) cumulative redeemable preference shares of Rs. 10/- (Rupees Ten) each amounting to Rs. 2,00,00,000 (Rupees two crores).

Your Directors recommend adoption of the resolution.
None of the director(s) is concerned or interested in the
resolution.

Item No: 7

- Directors of your company are looking for different means of finance for augmenting its resources and issue of cumulative or non-cumulative, convertible or non-convertible redeemable preference shares could be one of the methods. In the present scenario, where it is difficult to raise funds for Non Banking Finance Companies both from banks by way of working capital limits and from public by way of deposits, the company proposes to take approval from the shareholders in the forthcoming Annual General Meeting to raise these funds as and when it deems fit, to meet its demand for working capital and for further expansion and diversification of business.

Your Directors recommend adoption of the resolution. None of the director(s) is concerned or interested except to the extent of preference shares, if any, allotted to/ subscribed by them or to any of their relatives.

Your Directors recommend adoption of the resolution. None of director(s) is concerned or interested in the resolution.

TRC FINANCIAL SERVICES LIMITED**DIRECTORS' REPORT****To The Members of TRC Financial Services Limited**

Your Directors' have pleasure in submitting the Fourth Annual Report of your Company together with the audited statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

The financial results of the Company for the year ended 31st March, 1998 compared to the previous year are summarised below :

	(Rs. in Lakhs)	
	Year ended 31.03.1998	Year ended 31.03.1997
Total Income	259.11	296.04
Profit before Interest & Depreciation	201.03	234.76
Interest	59.32	48.84
Profit after interest but before depreciation	141.71	185.92
Depreciation/Lease Equalisation/ Termination	127.94	76.36
Preliminary, Share Issue & Deferred Revenue Expenditure written off	4.03	4.03
Profit Before Tax	9.74	105.53
Provision for Tax	3.54	13.68
Profit After Tax	6.20	91.85
Proposed Dividend	—	36.01
Tax on Dividend	—	3.60
Transfer to General Reserve	—	9.00
Transfer to Special Reserve Fund	—	18.50
Surplus carried over to Balance Sheet	6.20	24.74

OPERATIONS

The year 1997, was perhaps the most turbulent year for NBFCs. Moreover, the year 1998 has further witnessed significant adverse developments which has effected the entire NBFC sector. Coupled with recessionary economic conditions, which has effected corporate performance and resulted in increased corporate defaults, the position of the NBFCs' have only worsened.

Accordingly, the profitability of the company was also under constrain due to decrease in spreads, higher delinquency levels and slow down in disbursements, coupled with a higher charge of lease termination/ equalisation, and higher provision due to new prudential

norms prescribed by Reserve Bank of India during the year.

The company was well placed in respect of capital adequacy ratio at 49.81% compared to the RBI norms of 8%.

DIVIDEND

Due to lower profitability, the Board of Directors do not recommend declaration of any dividend for the year ended 31.03.1998.

RESOURCES**Working Capital Limits**

During the year the company's cash credit limits were enhanced to Rs. 150 lakhs from the initial sanction of Rs. 100 lakhs by the Central Bank of India and the company plans to apply for enhancement of the facilities during the current year.

Public Deposits

As on 31.03.1998 the outstanding public deposits amounted to Rs. 60.98 lacs.

There were no overdue or any unclaimed deposits during and/or at the end of the year.

CREDIT RATING

Credit Analysis and Research Limited (CARE) had retained its rating of BBB (Tripple B) FD for the company's Fixed Deposit Schemes. The instruments bearing this rating are considered to be of Investment Grade and denote Sufficient Safety for repayment of principal and interest at the time of rating.

REGISTRATION WITH THE RESERVE BANK OF INDIA

The company had applied for fresh registration with the Reserve Bank of India under Section 45-IA of the RBI Amendment Act, 1997 and the inspection of the company was carried out by an independent firm of Chartered Accountants, duly appointed by the RBI for this purpose. The company expects the registration shortly.

PROSPECTS

Considering the overall market scenario and specially the negative outlook for the Non Banking Financial Companies, the level of operations and consequent profitability would continue to remain under pressure. However, the management is confident that the medium and long term outlook of the company is bright and the revival in the economy would help improve the business of NBFCs and more specifically of the company. In this regard the company endeavours to continue to identify and focus on

TRC FINANCIAL SERVICES LIMITED

niche markets for its growth and sustenance in business, despite the aforesaid trends adversely affecting the working of NBFCs.

DISCLOSURE UNDER CLAUSE 43 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

The comparison of the projections stated in the Prospectus issued at the time of public issue in January, 1995 with actual performance as to the profitability and utilisation of funds are set out below :

Particulars	(Rs. in '000)	
	Projections	Actuals
Total Income	68726	25911
Profit After Tax	32560	620
Dividend	20%	—

REASONS FOR DECREASE IN PROFITABILITY VS. PROJECTIONS

1. Due to continued severe slump in the third year in succession in the Primary and Secondary Markets, Merchant Banking and Investment Banking operations respectively could not be carried out. Further Securities & Exchange Board of India has prohibited NBFCs engaged in fund based activities to carry out any Merchant Banking operations.
2. The level of operations and the profitability was under strain due to slow down in business, decline in spreads and higher delinquency levels.
3. Method of charging depreciation and lease equalisation/termination now adopted has resulted in a higher charge as compared to the depreciation/lease equalisation method given in the prospectus.

DIRECTORS

Mr. Prem Nath Anand and Mr. H.B. Gohel, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

With profound grief it is informed that Mr. V. K. Laroia, one of the Directors of the company, left for his heavenly

abode on 4th May 1998. The Directors place on record their appreciation for the support and guidance given to the company by Mr. V. K. Laroia.

AUDITORS

M/s. Johar & Kathpalia, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

PARTICULARS ON ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO.

Information to be given pursuant to Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) Rules, 1988 to the extent applicable, is given below:

Foreign Exchange Earnings and Outgo:

Foreign Exchange earnings : Nil
Foreign Exchange outgo : Rs. 1,30,421

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is enclosed in an annexure to this report.

ACKNOWLEDGEMENTS

Your Directors' place on record their deep appreciation to the Bankers, Shareholders, Fixed deposit holders and Customers for their co-operation and support and to the staff members for their contribution towards the performance of the company.

For and on behalf of the Board

Place : New Delhi
Date : 29.07.1998

T.R. CHADHA
CHAIRMAN