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TATA INVESTMENT CORPORATION LIMITED

SIXTY-SECOND

Annual Report

1998-99

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Annual General Meeting on Friday, 6th August, 1999
at Bombay House Auditorium at 4.00 p.m.

TATA INVESTMENT CORPORATION LIMITED

Sixty-Second Annual Report

1998-99

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BOARD OF DIRECTORS :

F. A. Mehta (*Chairman*)
Pratap Bhogilal
P. S. Mistry
Jaykrishna Harivallabhdas
V. C. Vaidya
N. A. Soonawala
B. L. Paranjape
A.B. K. Dubash
K. N. Suntook

Vice President & Company Secretary :

M. J. Kotwal

Bankers :

Bank of India
Catholic Syrian Bank
Central Bank of India
Citibank N.A.
Union Bank of India
Hatton National Bank Ltd., Colombo

Auditors :

Messrs A. F. Ferguson & Co.
Chartered Accountants.

Solicitors :

Messrs Mulla & Mulla and Craigie, Blunt & Caroe
S. R. Vakil

Registered Office :

Ewart House, 22, Homi Mody Street, Fort,
Mumbai 400 001.

Registrars & Share Transfer Agents :

Tata Share Registry Ltd.,
Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

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DIRECTORS' REPORT

TO
THE MEMBERS,
The Directors present their Sixty-second Annual Report with the Audited Statement of Accounts for the year ended 31st March, 1999.

2. FINANCIAL RESULTS

	Rupees (in lacs)	*Previous year Rupees (in lacs)*
Total Income	2832.33	*2716.28*
Profit before tax	2433.88	*2152.30*
Less : Provision for tax	166.34	*146.32*
Profit after tax	2267.54	*2005.98*
Less : Amount carried to Capital Reserve	—	*181.60*
	2267.54	*1824.38*
Add : Amount transferred from Investment Reserve	—	*280.00*
Balance brought forward from the previous year	320.49	*233.46*
Amount available for appropriation	2588.03	*2337.84*
The Directors have made the following appropriations :		
Proposed Dividend	621.57	*559.41*
Tax on proposed Dividend	68.37	*55.94*
Reserve Fund	454.00	*402.00*
General Reserve	1000.00	*1000.00*
	2143.94	*2017.35*
Leaving a balance to be carried forward of	444.09	*320.49*

DIVIDEND ON ORDINARY SHARES

3. The Directors recommend the payment of a dividend of Rs. 5.00 per *share (50%), on 1,24,31,305 Ordinary Shares for the year ended 31st* March, 1999 [Previous year Rs. 4.50 per share (45%)]	621.57	*559.41*

OPERATING RESULTS

4. The total income during the year was Rs. 28.32 crores against Rs. 27.16 crores in the previous financial year. The total expenditure during the year was Rs. 3.98 crores *against Rs. 5.64 crores in the previous year. A provision* of Rs. 1.76 crores has been made for diminution in value of certain long term investments (previous year Rs. 2.81 crores), as required under the accounting standards.

5. The profit before tax during the year was Rs. 24.34 crores against Rs. 21.52 crores in the previous year. The profit after tax was Rs. 22.68 crores against Rs. 20.06 crores in the previous year, representing an earnings per share of Rs. 18.24.

6. Consequent upon the deletion of Article 196 of the Articles of Association of the Company with effect from 1st April, 1998, no amount has been transferred to Capital Reserve.

INVESTMENT PORTFOLIO

7. A summarised position of the Company's portfolio of investments on 31st March, 1999, as compared to that at the end of the previous year, is given below :

	31.3.1999	*31.3.1998*
	(Rs. in crores)	
Book value		
Quoted investments	142.96	*134.30*
Unquoted investments (including unquoted units of UTI & other Mutual Funds)	50.08	*39.35*
	193.04	*173.65*
Less : Total provision for diminution In value of investments	4.56	*2.81*
	188.48	*170.84*
Market value *(Quoted investments only)*	*367.48*	*408.16*

8. As shareholders are aware, 1998-99 was a year of considerable volatility in the stock markets with the shares of existing 'commodity' businesses being more adversely affected during the year than those of other industries. The BSE Sensex index which was 3892 on 31st March, 1998 declined to 3740 on 31st March, 1999 but this does not fully reflect the larger decline in the 'commodity' shares.

9. The Directors confirm that all investments held by the Company and shown under "Investments" in the Balance Sheet are long term investments and would normally be held for more than one year from the date of acquistion. Unless otherwise

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decided in specific cases, all investments made in future will also be categorised as long term investments.

OTC EXCHANGE OF INDIA (OTCEI)

10. As mentioned in the Report last year, the Company has, with effect from 1st April, 1998, ceased to be the compulsory market maker in respect of the 4 scrips listed by the Company on the OTCEI. The shares held by the Company as OTCEI stock in trade have been transferred to long term investments. Members' attention is invited to item 5 of the Notes to the Accounts.

AMALGAMATION OF INVESTA LTD. WITH TATA INVESTMENT CORPORATION LTD.

11. In accordance with the Scheme of Amalgamation sanctioned by the High Court of Judicature at Mumbai, our subsidiary company, Investa Ltd. was amalgamated with the Company with effect from the appointed date i.e. 1st April, 1997. The Order of the High Court was received on 6th August, 1998, and accordingly 1,93,886 Ordinary Shares were issued and allotted to the erstwhile shareholders of Investa Ltd. on 1st September, 1998. The shares ranked pari passu with the existing Ordinary Shares of the Company for the full financial year.

FIXED DEPOSITS

12. Fixed Deposits from 470 depositors amounting to Rs. 50.93 lacs which had matured during the year under report but were not claimed were outstanding at the end of the year. Out of these, 288 deposits aggregating Rs. 28.15 lacs remain outstanding as of date. The Company has sent reminder letters by registered post to all the depositors whose deposits have remained unclaimed upto the date of the Report.

13. CRISIL has, for the Fixed Deposit programme of our Company, reaffirmed the 'FAAA' rating which indicates highest safety in timely payment of interest and principal amount of deposits.

REGISTRATION WITH RBI AS AN NBFC

14. The Company has been granted a Certificate of Registration under Section 45-IA of the Reserve Bank of India Act, 1934 to carry out the business of a Non-Banking Financial Company.

OTHER MATTERS

15. Income-tax assessments upto the Assessment Year 1996-97 have been completed and appeals have been filed wherever necessary.

16. In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees of the Company, in receipt of remuneration of not less than Rupees six lacs per annum for the year under review are set out separately.

17. The new Accounting and Investment Tracking System software installed in 1998-99 has been tested and certified to be Y2K compliant. The cost incurred in this connection is about Rs. 10 lacs. The Company has approached its intermediaries such as Depository Participant, Share Registrars and others to certify Y2K compliance of their respective systems.

DIRECTORS

18. Pursuant to the provisions of the Companies Act, 1956, and the Company's Articles of Association, Dr. F. A. Mehta, Mr. P. S. Mistry and Mr. Jaykrishna Harivallabhdas, retire by rotation and are eligible for re-appointment.

COMMENTS ON CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

19. Being an investment company, these provisions are not applicable to the Company.

COMMENTS ON FOREIGN EXCHANGE EARNINGS AND OUTGO

20. There were no foreign exchange earnings and outgo apart from those mentioned in Notes 3 and 7 to the Accounts.

AUDITORS

21. Shareholders are requested to appoint Auditors for the current year and to fix their remuneration. Messrs. A. F. Ferguson & Company have, under Section 224(1) of the Companies Act, 1956, furnished a certificate of their eligibility for the appointment.

On behalf of the Board of Directors,

F. A. MEHTA
Chairman.

Mumbai, 26th May, 1999.

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

(Please refer para 16 of the Directors' Report)

Sr. No.	Name	Designation and Nature of Duties	Remuneration Gross Rs.	Received Net Rs.	Qualifications	Age (in years)	Experience	Date of Commencement of employment	Last employment held, designation and period for which post held
1.	Ghadiali K. J.	Chief Accountant	8,32,253	5,59,233	B.Com.(Hons.), A.C.A., A.C.S.	46	22	17.4.1985	Hindustan Ciba-Geigy Ltd., (Executive Finance), 3 Years.
2.	Kotwal M. J.	Manager & Company Secretary	8,15,410	5,39,900	B. Sc., LL.B., F.C.S.	51	32	1.1.1984	The Tata Mills Ltd. (Secretary), 3 1/2 years.

NOTES :
(1) Remuneration received includes salary and other allowances, taxable value of perquisites and contribution to provident and superannuation funds, but excludes gratuity, medical and health insurance benefits, etc. which employees are entitled to as per Company's rules.
(2) Net remuneration is arrived at by deducting from the gross remuneration, income-tax, contribution to provident fund, superannuation fund and the monetary value of the non-cash perquisites.
(3) The employees have adequate experience to discharge the reponsibilities assigned to them.
(4) The nature of employment is contractual.

On behalf of the Board of Directors,

F. A. MEHTA
Chairman.

Mumbai, 26th May, 1999.

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AUDITORS' REPORT TO THE MEMBERS OF TATA INVESTMENT CORPORATION LIMITED

We have audited the attached balance sheet of TATA INVESTMENT CORPORATION LIMITED as at 31st March, 1999, and also the profit and loss account of the Company for the year ended on that date, annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
2. Further to our comments in the annexure referred to in paragraph 1 above :
   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
   (c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
   (d) in our opinion, the balance sheet and profit and loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   (e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view —
      (i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 1999,

      and

      (ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A. F. FERGUSON & CO.,
Chartered Accountants.

B. P. SHROFF
Partner.

Mumbai, 26th May, 1999.

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT ON THE ACCOUNTS OF TATA INVESTMENT CORPORATION LIMITED FOR THE YEAR ENDED 31ST MARCH, 1999.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No discrepancies were noted on such verification.
2. None of the fixed assets has been revalued during the year.
3. 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 where the rate of interest and other terms and conditions are prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
4. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 where the rate of interest and other terms and conditions are prima facie prejudicial to the interest of the Company. We are informed that there are no companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.
5. In respect of loans and advances in the nature of loans given by the Company, the parties are, where stipulations for repayment have been made, paying the principal amounts, as originally stipulated/rescheduled and are also regular in the payment of interest where applicable.

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6. In our opinion and according to 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 the purchase of equipment and other assets.

7. In our opinion, as per the books and records of the Company and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 (to the extent applicable) and the directives issued by the Reserve Bank of India, with regard to the deposits accepted from the public.

8. The Company does not have a formal internal audit system as such, but its internal control procedures ensure reasonable internal checking of financial and other records which, in our opinion, are adequate.

9. According to the records of the Company, provident fund dues have been regularly deposited during the year with the appropriate authority and the Employee State Insurance dues of Rs. 5,080 outstanding as on 31st March, 1999 have been paid after the year end.

10. In our opinion and according to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, and excise duty were outstanding as at 31st March, 1999 for a period of more than six months from the date they became payable.

11. In our opinion and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

For A. F. FERGUSON & CO.,
Chartered Accountants.

B. P. SHROFF
Partner.

Mumbai, 26th May, 1999.

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Highlights for the last 5 years

	Year ended 31st March,				
	1995	1996	1997	1998	1999
			(Rs. in lacs)		
Total income (including net interest)	2474	2541	2835	2716	2832
Total expenses (including net interest but excluding long term diminution in value of investments)	291	206	375	283	223
Long term diminution in value of investments	—	—	27	281	175
Profit before tax	2183	2335	2433	2152	2434
Provision for tax	491	557	451	146	166
Profit after tax	1692	1778	1982	2006	2268
Ordinary share capital	1224	1224	1224	1243	1243
Reserves	10393	11742	13118	15413	16991
Net worth per ordinary share (Rs.)	94.92	105.96	117.20	133.99	146.68
Earnings per ordinary share (Rs.)	14.57	14.53	16.19	16.14	18.24
Dividend per ordinary share (%)	35	35	45	45	50
Book value of investments	11208	12744	13592	17084	18848
Realisable value of investments	55210	53056	42691	44470	41300
Debt/Equity ratio	0.11:1	0.18:1	0.15:1	0.17:1	0.12:1
Total number of investments	414	431	425	453	440

Note : Previous years' figures have been re-grouped wherever necessary.

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