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ANNUAL REPORT
For the year ended 31st March, 1999



CORPORATE PURPOSE

To facilitate allocative efficiency of the financial markets through knowledge driven and information based people, processes and products.



TIMES GUARANTY

REPORT AND ACCOUNTS

For the year ended 31st March, 1999

DIRECTORS

Shri C.R. Balasubramanian

Chairman

Shri Raman Kaicker

Vice Chairman and Managing Director

Shri Dinesh Vyas

Shri D.N. Shukla

Shri Ranjan Garg

Shri S. Sivakumar

BANKERS

United Bank of India

Times Bank

STATUTORY AUDITOR

M/s. Haribhakti & Co.

*Chartered Accountants***CONTENTS**

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REGISTERED OFFICE

The Times of India Building,

Dr. D.N. Road,

Mumbai - 400 001.



DIRECTORS' REPORT

The Directors present their report with the audited accounts of your Company for the year ended 31st March, 1999.

Review of the Year

To gain a better understanding of the performance of the Company, the reported financial results have been *normalised* by relating changes arising from valuation of financial instruments and prior period adjustments to the appropriate years.

(Rs. in lac)

	Year ended 31.03.99	Year ended 31.03.98	Year ended 31.03.97
Net financing and investment income	226	468	534
Recovery from amounts written off	153	146	—
Fee Income	173	120	233
Expenses	(340)	(495)	(517)
Operating profit / (loss)	212	239	250
Release from General Provision	631	—	—
Provision for bad debts	(1)	(146)	(4864)
Provision for tax and deferred tax	(453)	98	293
Profit / (Loss) for the year after tax	389	191	(4321)
Total Assets	7012	8867	11381
Net Interest Margin %	5.5	2.1	3.4
Net worth	1582	1431	620

For the year ended 31st March, 1999, prior period adjustments of Rs. 47.79 lac arising due to excess provision for depreciation on lease cases have been related back to 31st March, 1998. Similarly for the year ended 31st March, 1998, prior period adjustments of Rs.3 lac arising due to settlement of a broker and excess provision written back of Rs.24 lac on account of mismatch in the maturity of security deposits collected from the clients have been related back to 31st March, 1997. Also for the year ended 31st March, 1997 prior period adjustments of Rs. 12 lac arising from a mismatch in the original maturity of some hire purchase transactions has been related back to 31st March, 1996.

Your Company has repaid Rs. 15 crore unsecured non-convertible debentures which were privately placed with Bennett, Coleman and Company Ltd. at a premium of Rs.2.37 crore.

As per the guidelines laid down by RBI on capital adequacy, a minimum of 10% is required to be maintained by

the non-banking financial companies and your Company has a Capital Adequacy Ratio of 35% as on 31st March, 1999.

The Corporate Response

In line with the strategy to exit from the NBFC business, the focus was primarily on recovery of our lending portfolio in terms of both exposure and number of clients, thus maximising the "*Net Realisable present Value*" (NRpV).

Towards the lending portfolio of clients, the approach of your Company has been that of a specialist financial management entity. The focus of your Company has been on the asset side; understanding the cash flows generated by the assets and how they can be best utilised. This has been through a process where cashflows are first *Assessed*, corporates are then *Advised* where internal improvements are possible to strengthen their operating capability and if necessary, engage in market *Action*.

Using the above approach, various strategies were employed for recovery of dues including restructuring, asset substitution/collateralisation, foreclosures, repossessions, reschedulement and initiation of legal action. This resulted in recoveries to the extent of Rs. 1048 lac during the year, including Rs. 144 lac from impaired assets, resulting in reducing your Company's exposure towards the Customer Risk Assets by Rs. 1085 lac (including impaired assets and assets written-off) as on 31st March, 1999.

Your Company has identified the risk of the portfolio based on the creditworthiness of the client, based on the cashflow of the company in its context, the behaviour of these cashflows and the risk modifiers. The behaviour indicates the willingness to pay and cashflows determines the ability to pay. All loans are subject to continuous scrutiny and grading. During the year, your Company employed the services of an independent company of risk analysts to examine the methodology underlying the grading process as well as to determine the allowability of tax loss arising out of bad debts. The Analysts have confirmed the accuracy and correctness of the grading system adopted by your Company.

In pursuance of its objectives for recovery of dues, your Company has filed over 300 legal cases in various courts for winding up, criminal complaints for dishonour of cheques, civil suit for recovery of monies owed, etc. These cases are in various stages of completion and, while some have resulted in recovery of substantial dues, positive results in the bulk of the legal cases are expected in the ensuing years.

Auditor's Observations

1. Confirmation from lessee regarding existence of assets given on lease:

With reference to para II (d)(i) of the Auditor's Report regarding confirmation from lessees of physical existence of assets given on lease, the Company has received confirmation from some lessees and has not received confirmations from others. Your Company has, however, assessed all the clients on a risk basis and has made appropriate provisions for the non-performing assets.



2. The Company had sent letters for confirmation of balances to overdue clients with a stipulation to confirm the balance by a given date. Clarifications were sought for by a few clients, which are in the process of being resolved. Letters for confirmation of balances are sent on a yearly basis.

Statutory Declarations

Subsidiary Companies

The accounts of your Company's subsidiary, Bennett Securities Limited is attached to this report.

Fixed Deposits

Out of the amount of Rs. 74.98 lac of fixed deposits, an amount of Rs. 28.17 lac representing 136 fixed deposits matured at the end of the year and was not claimed by the depositors. Your Company has issued letters reminding the depositors to collect their deposits.

Particulars of conservation of energy, technology absorption and foreign exchange earnings

This being a hire purchase and leasing Company, there are no particulars to be furnished for conservation of energy and technology absorption. There was no foreign exchange outgo on account of foreign travel, books, etc. during the year. There was also no foreign exchange earning during the year.

Stock Exchanges

The Company is listed with The Stock Exchange, Mumbai, The National Stock Exchange of India Ltd., The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Association Ltd. and Madras Stock Exchange Ltd. The necessary listing fees for the financial year 1999-2000 have been paid.

Year 2000 Compliance

Your Company has also put in place a comprehensive program to address the Y2K issue well in advance. The computer systems and all other hardware that would have an adverse effect due to the year 2000 problem have been identified, inventoried and made compliant by either upgrading the system or by installing Y2K patches. The systems, which could not be made compliant, have been discarded. All the four in-house software packages in addition to the UNIX and LAN servers have been tested and made compliant. Y2K compliance certificates have also been procured from the respective vendors for products that are likely to be impacted by the Y2K problem. The cost of the entire exercise has been around Rs.10 lacs. Your Company continues to track and manage Y2K risks relating to third party providers as well as the potential Y2K impact on its major customers. Your Company will continue to focus on ensuring that the software and hardware systems that have been tested and certified Y2K compliant remain compliant. A requisite contingency plan has also been drawn up for the same.

Section 217 (2A)

The statement of employees referred to in Section 217 (2A) of the Companies Act, 1956 forms part of this report.

Directors

Shri Gurcharan Das and Shri Vineet Jain resigned from the directorships of your Company as on 19th January, 1999 and 19th April, 1999 respectively.

Shri G. Ramachandran, Executive Director and Shri S. Ramesh Kumar, Executive Director and Chief Executive Officer resigned from the directorships of your Company as on 14th July, 1998 and 30th July, 1998 respectively. Your Company wishes to place on record its sincere appreciation and thanks for their valuable contribution during their term in office.

Shri C. R. Balasubramanian and Shri. Ranjan Garg retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Appointment of Auditors

The shareholders are requested to appoint Auditors, till the conclusion of the next Annual General Meeting and fix their remuneration.

Acknowledgement

The Board of Directors thank the Company's promoters, customers, bankers and employees for their continued support.

For and on behalf of the Board of Directors,

C. R. Balasubramanian

Chairman

Mumbai

Dated: 21st April, 1999

**ANNEXURE TO THE DIRECTORS' REPORT**

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, read with Companies (particulars of employees) Rules, 1975, as amended from time to time.

Sr. No.	Name	Designation	Age (yrs.)	Qualification	Experience (in yrs.)	Date of commencement of service	Remuneration (Rs.)	Last employment held and designation
Employed throughout the year								
1.	Mr. Raman Kaicker	Vice Chairman & Managing Director	44	B.Com., FCA (England & Wales), ACA (India) DBM (Norwich, England) SI Aff. (London)	21	04.08.95	22,84,342	Senior Management Strategist, Bennett, Coleman & Co. Ltd.
Employed for part of the year								
1.	Mr. S. Ramesh Kumar	Executive Director & Chief Executive Officer	42	B.Com., CAIB	22	07.07.95	19,55,474	Chief Executive Officer, Reliance Capital Ltd.
2.	Mr. G. Ramachandran	Executive Director	39	B.Sc. Hons. (Physics), ACA	15	07.07.95	13,29,730	Vice President, Reliance Capital Ltd.

Notes :

- None of the above employees are related to any Directors of the Company.
- Remuneration includes salary, commission, house rent allowance, company's contribution to provident fund, wherever applicable, other sums actually received by the employees during the finance year (including arrear salary) and perquisites valued in accordance with the Income Tax Act, 1961 and rules made thereunder.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of TIMES GUARANTY LIMITED as at 31st March, 1999 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

We report as follows :

- I. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, on the basis of such checks of the books and records as we considered appropriate and the information and explanations given to us during the course of the audit, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report as follows :
 - a) 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;
 - b) in our opinion, proper books of account as required by Law have been kept by the Company, so far as it 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 dealt with by this report are prepared in compliance of the applicable Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
 - e) subject to :
 - (i) Note no. 3(d) regarding confirmations from lessees regarding existence of assets given on lease.
 - (ii) Note no. 7 regarding non-confirmation of various balances, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
 - ii) in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants

Sushil Shah
Partner

Place: Mumbai
Dated: 21st April, 1999

**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph I of our report of even date)

1. The Company has maintained proper records, showing full particulars, including quantitative details and situation of fixed assets. All fixed assets have been physically verified by the Management during the year, except for assets given on lease. No material discrepancies were noticed in the assets so verified.
2. None of the fixed assets were revalued during the year.
3. The Stock-in-Trade (Shares/Debenture/Other Securities) has been verified by the Management at reasonable intervals. Discrepancies which were noticed on such verification have properly been adjusted in the books of account. In our opinion, the method of valuation of such stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
4. The Company has neither taken any loans from nor granted any loans to companies, firms or other parties listed in the register maintained under Section 301 nor has it granted any loans to Companies under the same management as defined under Section 370 (1-B) of the Companies Act, 1956 .

The Company has taken loans from its holding company, a company listed in the register maintained under Section 301 which is also Company under the same management as defined under Section 370 (1-B) of the Companies Act, 1956, terms and conditions of which are, prima facie, not prejudicial to the interest of the Company.

5.
 - a) Loans and advances have been given by the Company to its employees and other parties, in the course of its business, are generally repaying the principal amount alongwith the interest due thereon, wherever applicable, as stipulated. In case of delays in repayment of principal or interest, the Company is taking reasonable steps for recovery of the same.
 - b) In respect of monies due on account leasing and hire purchase transactions and loans against hypothecation, where instalments are overdue, we are of the opinion that reasonable steps are being taken by the Company for recovery of the same.
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 with regard to purchase of Plant and Machinery, Equipment, Shares and Securities and other assets and for the sale of shares.
7. The Company has not purchased during the year any goods or materials or sold during the year any goods, materials or services exceeding Rs. 50,000/- in value from any party pursuant to contracts or arrangements entered in the register maintained under Section 301, except for sale and purchase of certain securities to such parties which have been made at prices which, in our opinion, are reasonable compared to the then prevailing market prices thereof.
8. The Company has complied with the provisions of Section 58A of the Companies Act, 1956, the Companies (Acceptance of Deposits) Rules 1975 (to the extent applicable) and the Non-Banking Financial Companies (Reserve Bank) Directions, 1977, in respect of the deposits accepted from the public during the year.
9. The Company has an Internal Audit System commensurate with the size and nature of its business.