

ENDURING CHALLENGING TIMES



12th annual report 1998



**APPLE FINANCE LIMITED**



ENDURING CHALLENGING TIMES

The cactus - stands tall, grows and thrives on  
challenging conditions. The cover has been  
inspired by Apple Finance's performance this  
year despite difficult times. Challenging times  
that have stretched everyone that extra mile.  
To deliver the best. To perform better.  
To satisfy more.



**APPLE FINANCE LIMITED****CONTENTS**

	Pg. No.
APPLE FINANCE LIMITED	2
APPLE ASSET MANAGEMENT LIMITED	31
APPLE FINANCIAL SECURITIES LIMITED	38
APPLE GRANITES LIMITED	46

**BOARD OF DIRECTORS**

Mr. Atul K. Nishar (Chairman)  
 Mr. A.K.T. Janak (Managing Director)  
 Mr. N.P. Bhogilal  
 Mr. H.P. Nag Chowdhury  
 Mr. K.C. Sodhia  
 Mr. D.P. Gupta  
 Dr. A.C. Shah  
 Mr. J.R.K. Sarma

**AUDITORS**

Messrs Mahendra Kumbhat & Associates  
 Chartered Accountants

**LEGAL ADVISORS**

Messrs Dave & Girish & Co.  
 Advocates

**12th Annual General Meeting**

on Monday, June 28, 1999 at 10.30 a.m.  
 at Tejpal Auditorium, Near August Kranti Maidan,  
 Gowalia Tank, Mumbai 400 007

**REGISTERED OFFICE**

38/39, Rajgir Chambers, 4th Floor  
 Shahid Bhagat Singh Road  
 Opp. Old Custom House, Fort  
 Mumbai 400 023

**REGISTRAR & TRANSFER AGENTS**

Messrs Sharepro Services  
 Satam Estate, 3rd Floor, Above Bank of Baroda  
 Cardinal Gracious Road, Chakala  
 Andheri (East), Mumbai 400 099  
 Phone: 8348218, 8329828, 8215168, 8215991  
 Fax: 8375646

**BANKERS**

Canara Bank  
 State Bank of India  
 Bank of Baroda  
 State Bank of Patiala  
 Allahabad Bank  
 Punjab National Bank  
 The Federal Bank Limited  
 Dena Bank  
 Union Bank of India  
 Bank of India  
 State Bank of Hyderabad  
 State Bank of Bikaner & Jaipur  
 Central Bank of India  
 The South Indian Bank Limited  
 ICICI Banking Corporation Limited  
 The Lakshmi Vilas Bank Limited  
 The Catholic Syrian Bank Limited

**APPLE FINANCE LIMITED****NOTICE**

NOTICE is hereby given that the twelfth Annual General Meeting of the members of Apple Finance Limited will be held on Monday, June 28, 1999 at 10.30 a.m. at Tejpal Auditorium, Near August Kranti Maidan, Gowalia Tank, Mumbai 400 007, to transact the following business :

**ORDINARY BUSINESS**

1. To consider and adopt the Balance Sheet as at December 31, 1998, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Preference and Equity Shares.
3. To appoint a Director in place of Mr. N.P. Bhogilal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. D.P. Gupta, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Messrs Mahendra Kumbhat & Associates, Chartered

Accountants, the retiring Auditors, as the Auditors of the Company, and to authorize the Board of Directors to fix their remuneration.

**SPECIAL BUSINESS**

6. To appoint Mr. J.R.K. Sarma as a Director of the Company.

By Order of the Board of Directors

**PARAG DESHPANDE**

*Company Secretary*

**Registered Office :**

38/39 Rajgir Chambers  
Opp. Old Custom House  
Shahid Bhagat Singh Road  
Fort, Mumbai 400 023

Date : May 12, 1999.

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## NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself. A proxy need not be a member.

The proxy form, duly completed and stamped, must reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item No. 6 as set out above, is annexed hereto.
3. Members are requested to notify the change, if any, in their address, to the Registrar and Transfer Agents of the Company.
4. The dividends on the shares as recommended by the Board of Directors, if declared at the meeting, will be made payable after June 28, 1999, to those members whose names appear on the Company's Register of Members on that date.
5. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, June 15, 1999 to Monday, June 28, 1999 (both days inclusive).
6. Members/Proxies should bring the attendance slip sent herewith duly filled out for attending the meeting.

7. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the financial year ended June 30, 1994, have been transferred to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Shareholders who have not encashed the dividend warrant for the said period are requested to claim from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, 2nd Floor, Dattaram Lad Marg, Kalachowkie, Mumbai 400 033.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by The Companies (Amendment) Ordinance, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed their dividend warrants, may approach the Company's Registrar & Transfer Agents, Messrs Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East), Mumbai 400 099 for revalidating the warrants or for obtaining duplicate warrants.

## ANNEXURE TO THE NOTICE

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

## Item No. 6

The Board of Directors in its meeting held on May 12, 1999, appointed Mr. J.R.K. Sarma as an Additional Director of the Company. Mr. J.R.K. Sarma will hold the office of Director upto the conclusion of forthcoming Annual General Meeting.

A qualified Cost Accountant and Company Secretary, Mr. J.R.K. Sarma has to his credit over twenty three years' experience in banking and financial services area. At present, he is the Executive Director and Company Secretary of Apple Credit Corporation Limited.

The Company has received a notice in writing from a member of the Company under Section 257 of the Companies Act, 1956 along with the requisite deposit amount, notifying his intention to propose

Mr. J. R.K. Sarma as a candidate for office of Director of the Company. Your Directors commend the appointment of Mr. J.R.K. Sarma.

Except Mr. J.R.K. Sarma, none of the Directors has any concern or interest in the aforesaid resolution.

By Order of the Board of Directors

**PARAG DESHPANDE**  
Company Secretary

**Registered Office :**

38/39 Rajgir Chambers  
Opp. Old Custom House  
Shahid Bhagat Singh Road  
Fort, Mumbai 400 023  
Date : May 12, 1999.



**APPLE FINANCE LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting the twelfth Annual Report on the business and operations of your Company and the audited financial accounts for the year ended December 31, 1998.

**FINANCIAL RESULTS**

The financial results of your Company for the year ended December 31, 1998 as compared to the previous year are summarized below :

(Rupees in Crores)

	Financial year ended 31.12.1998	Financial year ended 31.12.1997
Gross income	171.81	206.27
Profit before depreciation and taxation	51.63	61.94
Less : Depreciation	33.83	36.68
Profit before taxation	17.80	25.26
Less : Provision for taxation	1.70	3.08
Net profit after taxation	16.10	22.18
Add : Balance brought forward from previous year	1.12	1.48
Balance available for appropriation	17.22	23.66
<b>Appropriations</b>		
1. Transfer to General Reserve	2.00	2.00
2. Transfer to Capital Redemption Reserve	1.33	0.67
3. Transfer to Debenture Redemption Reserve	5.00	6.00
4. Transfer to Reserve Fund	3.25	4.45
5. Transfer to Contingency Reserve	—	2.07
6. Proposed dividend		
— Preference shares	0.24	Rs.6,575
— Equity shares	4.45	6.68
7. Dividend tax thereon	0.52	0.67
8. Balance carried forward	0.43	1.12
	17.22	23.66

**DIVIDEND**

Your Directors recommend dividend of 8% on equity shares and 12% payable pro-rata on preference shares for the year ended December 31, 1998.

**THE YEAR IN RETROSPECT**

The year 1998 was a year of consolidation for the NBFC industry and your Company, with its prudent policies, was able to perform well despite the adversities. Its focus has been asset quality, instead of quantity. The better results were achieved partly due to saving in interest charges and tight control on expenditure.

Your Company has duly complied with the guidelines issued by Reserve Bank of India on prudential accounting norms covering *inter alia* income recognition, investment accounting and provisioning for non-performing assets.

**BUSINESS ACTIVITIES****Car Finance**

Your Company's primary focus during the year has been in catering to the small car segment, which is synonymous with relatively lower asset

risk and better customer profile. This strategy has paid off as we have succeeded in procuring quality assets as reflected in our high recovery ratios.

The year saw the entry of new car models in the small car segment. Hyundai launched the "Santro" and Daewoo Motors launched the "Matiz". However, the major launch of the year was that of the "Indica" from Telco. Maruti Udyog and Ind Auto cut prices across all models in keeping with the prices of the new entrants. Although there has been a marginal decline in the total car sales as compared to last year, the car finance market continues to offer ample opportunity for NBFCs.

Mr. Speedy - catchy mnemonic of Apple Car Finance personifying our USPs, i.e. speed of finance, paperwork and delivery has been occupying top-of-mind recall among car finance customers across the country. A detailed Car Finance Manual and Internal Audit procedure - drawn up in consultation with Ernst & Young have been implemented by your Company this year. This is expected to strengthen operations and further improve the quality of the assets of your Company. Considerable progress has been made with the development of a well integrated computer system for managing the retail financial operations. These efforts have enabled your Company to consolidate its position in the Indian car finance arena.

### Truck Finance

The overall slowdown in the economy has had an impact on sales of commercial vehicles. There has been an approximate 28% drop in sales of all commercial vehicles in 1998. All the major players in the commercial vehicle segment have been on the downtrend.

Money market conditions have a significant bearing on the demand of commercial vehicles. Given the overall sluggishness in the transport sector, our asset accretion strategies have been focussed qualitatively on our existing customers who are generally large fleet operators, and operators with diversified incomes.

### Investment Banking

During the year under review, your Company, in conformity with SEBI guidelines on bifurcation of fund based and fee based activities, the merchant banking authorization issued by SEBI in favour of your Company, has transferred to Apple Financial Securities Limited, a wholly owned subsidiary of your Company.

Your Company managed two major debt placements of Tamil Nadu Electricity Board and GRID Corporation of Orissa Ltd. (II tranche) and mobilized Rs.297 crores and Rs.198 crores respectively where the base

target was Rs.100 crores each. Apart from this, your Company also managed an Advisory and Consultancy mandate of Orissa Power Generation Corporation Limited.

### Resource Mobilization

Your Company has rationalized its debt structure further and has achieved a healthy resource mix. During the year 1998, the Company mobilized low cost funds through private placement of non-convertible debentures. This has enabled your Company to reduce its overall costs of borrowings and provide funds at competitive rates for its operations, thus achieving better operating profit margins for the year. In future, your Company will continue its endeavour for further reduction of its cost of funds through innovative instruments/methods.

As a prudent funding strategy, it was decided to reduce dependence on public fixed deposits and consequently, your Company stopped acceptance of fresh deposits from March 1, 1999. The renewal of existing fixed deposits was also stopped from April 15, 1999.

### CURRENT YEAR'S OUTLOOK

Automobile sales are expected to grow over the coming years, driven by a strong marketing thrust given by leading global auto manufacturers, who have recently entered India. The car finance market is expected to grow rapidly. The last year has seen consolidation of the markets. Global majors have joined hands with Indian NBFCs to enter the finance arena.

A large distribution network, established brand presence, well developed business origination channels, knowledge of the local markets, streamlined systems and procedures have ensured that your Company is well equipped to meet the challenges of a highly competitive environment of this industry.

### JOINT VENTURE COMPANY

During the year under review, your Company formed a joint venture with TDF Mauritius Limited, a part of Transamerica Distribution Finance, which introduced for the first time the concept of integrated distribution financing solutions in India.

Transamerica Distribution Finance is a wholly owned subsidiary of the San Francisco, USA based Transamerica Corporation (Transamerica), one of the world's strongest independent financial services companies. Transamerica manages more than US\$ 50 billion in assets through its insurance, financing, investment, real estate and leasing operations. Transamerica has operations in over 30 countries

**APPLE FINANCE LIMITED**

worldwide. Transamerica Distribution Finance has for over 40 years provided manufacturers, distributors and dealers of durable goods with distribution financing, making it one of the largest independent commercial lending companies. Transamerica Distribution Finance provides customers, manufacturers, distributors and dealers in North America, Europe and South America with a variety of financing programmes. With this joint venture, Transamerica Distribution Finance has extended its operation into Asia.

**SHARE CAPITAL**

In compliance with the "Put" option exercised by the shareholder, your Company on December 31, 1998 redeemed 2,00,000 12% Cumulative Redeemable Preference shares of Rs.100 each, aggregating Rs.200 lacs.

**NON-CONVERTIBLE DEBENTURES**

Your Company, during the year under review, raised a sum of Rs.86 crores by private placement of Non-Convertible Debentures. The funds raised by the issue of Debentures have been utilized for the purpose for which they were raised.

**SUBSIDIARIES**

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors of Apple Asset Management Limited, Apple Financial Securities Limited and Apple Granites Limited and the respective Auditors' Report therein, are annexed.

**DIRECTORS**

Mr. J. R. K. Sarma has been appointed an Additional Director.

In consideration of his appointment as the President and Chief Executive Officer of the joint venture company, Transamerica Apple Distribution Finance Limited, Mr. Vikram Narayan resigned from the Board of Directors of your Company on January 15, 1999.

During the current year, Mr. S. K. Basu, nominee of Unit Trust of India and Mr. Girish M. Dave also resigned as Directors.

The Board places on record its appreciation for the services rendered by Mr. Vikram Narayan, Mr. Girish M. Dave and Mr. S. K. Basu.

Mr. N.P. Bhogilal and Mr. D.P. Gupta retire by rotation and, being eligible, offer themselves for reappointment.

**Y2K PREPAREDNESS**

Your Company has proactively addressed the Y2K issue in consultation with internationally renowned management consultants. The Company has accordingly formulated a Y2K compliance plan. As per the plan, the Company should be fully Y2K compliant on all fronts before the end of third quarter of 1999. The process of taking inventory of hardware, testing for Y2K compliance and remedial action wherever necessary has already been completed. As per the plan, your Company has initiated actions to have fully Y2K compliant software in place by end of the third quarter of 1999.

**DEPOSITORIES**

During the current year, your Company entered into an arrangement with Central Depository Services (India) Limited (CDSIL) for custody and dematerialization of securities in accordance with the Depositories Act, 1996. The Stock Exchange, Mumbai in association with leading banks and other stock exchanges has promoted CDSIL.

On September 20, 1997, your Company entered into similar arrangement with National Securities Depository Limited (NSDL).

Your Company has opted for the scheme of one time payment of custody fee charges, offered by NSDL. Accordingly, NSDL does not charge any custody fees to the Depository Participants for the dematerialized securities of the Company.

**FIXED DEPOSITS**

As on December 31, 1998, 6,928 fixed deposits aggregating Rs. 780.98 lacs remained unclaimed, out of which, 4,398 deposits aggregating Rs. 510.79 lacs have since been renewed/repaid. Suitable steps are being taken to elicit responses from the remaining depositors.

The Company has complied fully with all the guidelines of Reserve Bank of India on maintenance of liquid assets on its portfolio of deposits.

**AUDITORS**

Messrs Mahendra Kumbhat & Associates, Chartered Accountants, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Members are requested to consider their reappointment as the Auditors of the Company and authorize the Board of Directors to fix their remuneration.



**PARTICULARS OF EMPLOYEES**

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The information required under Rule 2 of the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy and technology absorption, is not being given, since your Company is not engaged in manufacturing activity.

As regards foreign exchange earnings and outflow, details have been shown in Note Nos. 15 and 16 of Schedule " P " to the Annual Accounts.

**INSURANCE**

The assets of your Company have been adequately insured.

**EMPLOYEE RELATIONS**

The relations with the employees at all the locations continued to be cordial.

**ACKNOWLEDGEMENTS**

Your Directors wish to express their gratitude to the shareholders, depositors, debentureholders, bankers, financial institutions and the customers for their continued support and patronage. They also wish to acknowledge the spirit of dedication, commitment and co-operation extended by our members (employees) at all levels.

For and on behalf of the Board

Date : May 12, 1999.

Place : Mumbai

**A.K.T. JANAK**

*Managing Director*

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# APPLE FINANCE LIMITED

## ANNEXURE TO THE DIRECTORS' REPORT

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended December 31, 1998.

Sr. No.	Name	Age (Years)	Designation	Gross Remuneration Received (Rs.)	Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment Held - Designation Period (Years)
<b>EMPLOYED THROUGHOUT THE YEAR</b>							
1.	A. K. T. Janak	49	Managing Director	1,645,964	B.Sc., P.G.D.M. (26)	01-Apr-93	Canara Bank, Vice President-Canbank Financial Services (3)
2.	Arnab Datta	37	Sr. Vice President	806,985	B.Tech., P.G.D.M. (IIM-A) (14)	01-Sep-94	Escorts Financial Serv. Ltd., Regional Head-East (3)
3.	J. Pradhan	45	Sr. Vice President	612,759	B.Sc., P.G.D.M. (21)	10-Nov-95	Self Employed (8)
4.	Rahul Mullick	34	Sr. Vice President	669,939	B.Sc., M.B.A. (11)	07-Aug-95	Bank of America, Asst. Vice President (4)
5.	Ullhas Pagey	49	Chief Executive - Group HR & OD	1,116,999	B.E. (Mech.), M.M.M. (26)	19-Feb-90	Tata Unisys Ltd., Senior Manager - Human Resources (4)
6.	Vikram Narayan	38	Executive Director	1,745,384	M.Com., M.B.A. (14)	02-Apr-90	Self Employed (2)
7.	Vivek Chaubal	40	Sr. Vice President	817,557	B.Com. (Hons), LL.B. (Gen), A.C.A. (16)	17-Feb-92	20th Century Kinetic Finance Limited, Manager-Finance (1)
8.	V. S. R. Swamy	44	Sr. Vice President	1,309,297	M.Com., M.A., CAIIB, BL, M.B.A. (20)	01-Dec-93	Canbank Factor Ltd., Factoring Officer (2)
<b>EMPLOYED FOR PART OF THE YEAR</b>							
1.	Ajay Raina	35	Asst. Vice President	118,975	M.Com., M.B.A. (12)	05-Aug-94	Ashok Leyland Finance Ltd., Dy. Manager (1)
2.	Harshad Shah	45	Executive Vice President - Accounts, Internal Audit & MIS	635,944	B.Com., A.C.A. (22)	02-Apr-93	The Antifriction Bearings Corp. Ltd., Financial Controller (1)
3.	Sidharath Kapur	36	Sr. Vice President & Company Secretary	237,584	B.Com., A.C.A., A.C.S., DMF. (16)	17-Aug-95	Industrial Development Bank of India, Deputy Manager (8)

- Notes : (1) Remuneration includes salary, all allowances, Company's contribution to Provident and Superannuation Fund and taxable value of perquisites and allowances.
- (2) None of the above employees is related to any Director of the Company.
- (3) None of the employees drawing remuneration in excess of that drawn by Managing Director, held by himself or along with his spouse and dependent children, two percent or more of the paid up equity share capital of the Company.