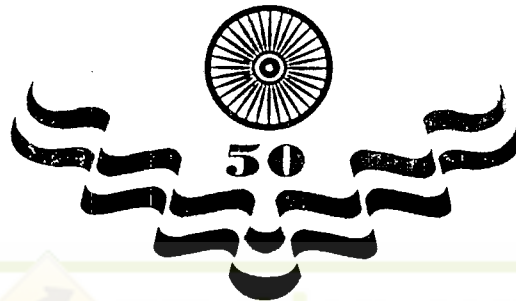




VIJAY GROWTH FINANCIAL SERVICES LTD.

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
ACM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



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10th
ANNUAL REPORT 1996 - 97



VIJAY GROWTH FINANCIAL SERVICES LIMITED

**BOARD OF DIRECTORS**

W.S. Tambe	Chairman
D.B. Reddy	Managing Director
Dr. M.N. Bhat	Director
Sarath Naru	Director
Pradeep V. Bhide	Director APIDC Nominee
M.S. Ramakrishna	Director
V. Kutumba Rao	Director

REGISTERED OFFICE

304, 'A' Block
Babukhan Estate
Basheerbagh
HYDERABAD - 500 001.

BANKERS

State Bank of India
The Tamilnad Mercantile Bank Ltd.
The Lakshmi Vilas Bank Ltd.

AUDITORS

M/s. A.M. Reddy & Co.
Chartered Accountants
HYDERABAD.

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VIJAY GROWTH FINANCIAL SERVICES LIMITED



NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of the Company will be held at 12.00 Noon, on Friday the 26th September, 1997 at "UNIVERSAL HOUSE RESTAURANT", Plot No.25, Film Nagar, Road No.6, Jubilee Hills, Hyderabad - 500 034 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 1997 and the Balance Sheet as on that date alongwith the Report of the Auditors and Directors.
2. To appoint a Director in place of Shri M.S. Ramakrishna who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri V. Kutumba Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.
5. To undertake share transfer in-house.

SPECIAL BUSINESS :

1. To consider and if thought fit to pass, with or without modification, the following resolutions as special resolution.

"RESOLVED THAT pursuant to the provisions of Sec.94, 16 and 31 and other applicable provisions, if any, of the Companies Act, 1956, the authorised capital of the company be increased to Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 equity shares of Rs. 10/- each with a power to issue the new shares upon such terms and conditions and such rights and privileges attached thereto as the Board shall determine subject to any directions of the Company at general meeting at the time of issue thereof."

"RESOLVED FURTHER THAT clause V of the Memorandum of Association of the Company be and is hereby altered to read as follows :

- a) The Authorised Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into :

2,00,00,000 (Two Crores only) Equity shares of Rs.10/- each with power to increase or reduce the capital as may be determined by the Board or conditions in such manner as may for the time being be provided by the regulations of the company and to consolidate or sub-divide the Shares and issue shares of higher or lower denominations".

"RESOLVED FURTHER THAT Article 5 of the Articles of Association of the Company be and is hereby altered to read as follows :

- b) The Authorised Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into :

2,00,00,000 (Two Crores only) Equity shares of Rs.10/- each with power to increase or reduce the capital as may be determined by the Board or conditions in such manner as may for the time being be provided by the regulations of the company and to consolidate or sub-divide the Shares and issue shares of higher or lower denominations".

"FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do and perform all such other acts, deeds and things as may be necessary or desirable to give effect to this resolution".

VIJAY GROWTH FINANCIAL SERVICES LIMITED



2. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the Shares of the Company are listed and subject to the approval of Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) and all other concerned authorities, if any, and to the extent necessary and such other approvals, permissions and sanctions, as may be 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) and /or duly authorised committee thereof for the time being to issue/offer equity shares/preference shares/convertible debentures, fully or partly and/or Non-Convertible debentures, with or without detachable or non-detachable warrants secured premium notes and/or other financial instruments (hereinafter for brevity sake referred to as "Securities") as the Board at its sole discretion may at any time, hereafter decide which Securities when issued or allotted would ultimately result in an increase in the paid-up Equity Share Capital wherever applicable, of the Company by an amount not exceeding Rs. 20.00 Crores, to the Members, Debenture holders, Employees, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs), Companies, other Entities/Authorities and to such other persons whether through Public Issue, Rights issue, Private Placement, Exchange of Securities, Preferential Allotment, Conversion of Loans or otherwise and for General Corporate purposes including Capital Expenditure, Working Capital requirements, Strategic Investments, any mergers, amalgamations, acquisitions, reconstructions, or arrangements or any other reorganisation as the Board may deem fit and/or by any one or more or a combination of the above mode/methods or otherwise and at such time or times and in one or more tranches at such price or prices, as the Board or Committee thereof may in its absolute discretion, think fit, in consultation with the Lead Managers, Underwriters, Advisors and such other persons, and on such terms and conditions, including the number of Equity Shares/Preference shares and/or debentures to be issued, the face value, rate of dividend/ interest, redemption period, manner of redemption, amount of premium on redemption, the number of Equity shares to be allotted on redemption/conversion, the ratio of exchange of shares, period of conversion, fixing of record date or book closure; provided that the issue price of the Equity Shares to be issued on conversion of Debentures or upon exercising the rights of entitlement attached to the warrants or on conversion of term loan(s) shall be at a price not exceeding that amount as may be determined by the Board".

"RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board/Committee thereof in its absolute discretion, in such manner and/or on such terms as it may deem fit including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds or otherwise as the board or Committee thereof may in its absolute discretion deem fit and proper".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board/Committee 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 offer/issue, allotment and utilisation of the proceeds of issue of the securities towards the Company's projects/other business needs and finalise such documents for creating mortgages/charges as it may deem fit".

BY ORDER OF THE BOARD

Place : Hyderabad
Date : 27.6.1997

Sd/-
D.B. REDDY
Managing Director

**Note :**

- a. Explanatory Statements pursuant to section 173 (2) of the Companies Act., 1956 is given in the Annexure which forms part of the Notice.
- b. A Member who is entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the said proxy need not be a member of the Company. However, notice of such appointment to be effective should be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.
- c. The Register of Members and the Share Transfer Books of the Company will remain closed during the period 18.09.1997 to 25.09.1997 (both days inclusive)
- d. Members are requested to notify immediately any change in their address to the Company quoting their folio numbers.
- e. Members are advised to bring their copies of the Annual Report to the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT:**Special Business No. 1**

To meet the increased activities of the Company, it is proposed to increase the Authorised Capital of the Company to Rs.20,00,00,000 (Rupees Twenty Crores only). The proposed changes in the capital of the Company would require alterations in the Memorandum and Articles of the Company. The necessary resolutions there of are set out in Item No.1

Special Business No. 2

To augment the resources of the company, among other things, it is proposed to issue various types of securities like Fully Convertible Debentures, Equity Shares, Preferential Share etc., to any person, whether or not, they are members of the company.

General approval of the shareholders is sought in terms of Sec.81 conferring the power on the Board of Directors to decide the type, quantum, terms and conditions of such issue(s).

Your Directors commend this resolution for your approval. The Directors are interested to the extent of their shareholdings.

VIJAY GROWTH FINANCIAL SERVICES LIMITED



DIRECTORS' REPORT

Ladies & Gentlemen,

Your Directors have pleasure in presenting their Tenth Annual Report together with the audited accounts of the Company for the year ended on 31st March 1997.

Financial Highlights

During the year the Company earned a gross income of Rs.145.81 Lakhs (Previous year Rs.198.92 Lakhs) and a net loss of Rs.48.40 lakhs (previous year net profit Rs.26.54 Lakhs).

The performance of the Company during the Financial year 1996-97 has been summarised below:

	1996-97 (Rupees)	1995-96 (Rupees)
Net profit/(loss) before tax	(48,40,012)	30,13,058
Balance brought forward	43,34,369	44,07,511
	<u>(5,05,643)</u>	<u>74,20,569</u>
Provision for taxation	Nil	3,59,400
Proposed dividend	Nil	24,76,800
General Reserve	Nil	2,50,000
Balance in P & L Account	(5,05,643)	43,34,369

The Company made a net loss of Rs.48.40 lakhs compared to net profit of Rs. 30.13 Lakhs earned for the year 1995-96 is largely on account of following factors :

- (i) To comply with the present guidelines of the RBI, the Company has not recognised an income of Rs. 26.46 lakhs during the year 1996-97.
- (ii) A change of accounting policy followed from last financial year on leased assets has resulted an increase of Rs. 46.88 lakhs in provision of depreciation.
- (iii) The Income Tax department disputed some portion of depreciation claimed by the Company for the assessment year 1995-96, which resulted in tax payment of Rs. 21.88 lakhs in the financial year 1996-97.

Dividend :

Considering the inadequacy of profits, no dividend is recommended.

VIJAY GROWTH FINANCIAL SERVICES LIMITED

**Merchant Banking :**

At the industry level Merchant Banking Activities are affected by the revised guidelines issued by SEBI. The revised regulations drastically reduced the number of issues tapping the Capital Market. During the financial year 1996-97 your company has lead managed 10 issues and income generated through this activity is Rs. 12.87 lakhs. In the second half of 1996-97, your Company acted as co-managers to the public issue of M/s Infotech Enterprises Limited, which is lead managed by IDBI. Your Company is the single largest fund mobiliser to the issue.

Corporate Finance :

The Company continued to experience difficulties in obtaining working capital facilities from banks. A breakthrough was however made recently with APIDC and a limit of Rs.50 lakhs Bill discounting was secured. These funds are currently generating a return of more than 28% p.a. Public deposits in retail form continue to carry high costs and hence a low profile is being maintained.

Fixed Deposits :

In response to the 4 fixed deposit schemes launched during 1995-96, your Company deposits as on March 31st, 1997 stood at Rs.27.40 lakhs from Indian public while NRIs aggregated to Rs.100.68 lakhs. There were 15 deposit accounts with an aggregate amount of Rs. 1,71,000 which matured but were not claimed by the depositors as on 31st March 1997.

Branch Network :

Your Company opened branch offices at Madras, Vizag and Vijayawada with basic objective of raising resources in the form of fixed deposits. However considering prevailing market conditions and higher interest costs, your Company closed all these branches to reduce cost burden.

Increase of Share Capital :

The authorised share capital of the Company will be increased from Rs. 5 crores to 20 crores. The Managing Director of the Company is allowed to negotiate with NRIs/OCBs/FIIs for private placement of equity shares/Fully Convertible Debentures(FCDs) on a preferential basis.

Prudential Norms :

The Reserve Bank of India has issued guidelines on accounting standards, income recognition, asset classification, provision for bad and doubtful debts, capital adequacy and concentration of credit and investments. Your Company has taken steps to ensure that these guidelines are strictly adhered to. Accordingly an amount of Rs. 26.46 lakhs is not considered into the books of account. Besides a general provision of Rs. 5.30 lakhs had also been made for non-performing assets as stipulated under these guidelines.

Future Prospects :

The economic scenario has been undergoing far reaching changes in the past few years. Liberalization of the economy has resulted in economic and industrial growth. In the process of liberalization the Government has introduced a variety of fiscal and monetary reforms which have virtually opened the flood gates of the capital market.

In the coming years your company's main thrust areas will continue to be leasing, hire purchase and investment banking activities. However, the slack season credit policy announced by RBI, has

VIJAY GROWTH FINANCIAL SERVICES LIMITED



given certain relaxations on Bank finance to RBI certified NBFCs and hence it is proposed to pursue with Bankers for establishing working capital limits to your Company. Your Company proposes to focus on NRI private placements, mergers and acquisitions etc.

Subsidiary Company:

During the financial year 1996-97, the membership of Hyderabad Stock Exchange is transferred to VG Securities Ltd., which was earlier held by Shri D.B. Reddy, Managing Director of the Company. The Hyderabad Stock Exchange recently implemented on-line trading which is more transparent and effective and it is expected that business levels will be improved significantly in near future.

Directors:

Shri V. Kutumba Rao, Shri M.S. Ramakrishna, Dr. M.N. Bhat and Shri Sarath Naru retire by rotation and being eligible offer themselves for re-appointment.

Auditors:

M/s. A.M. Reddy & Co., Chartered Accountants, auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Particulars of Employees:

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) amendment Rules, 1990 are given in the statement annexed to this report.

Particulars regarding energy conservation etc.

The information regarding energy conservation and technology absorption required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 is not applicable.

Acknowledgements:

Your Directors place on record their appreciation of the valuable services rendered by and support extended to the Company by APIDC, The Lakshmi Vilas Bank Ltd, State Bank of India and other banks, fellow merchant bankers, stock exchange authorities, registrars to the issues and other agencies.

Your Directors also place on record their appreciation to the valuable services rendered by the employees of the Company during the year.

BY ORDER OF THE BOARD

Sd/-

D.B. REDDY
Managing Director

Place : Hyderabad
Date : 27.06.1997



ANNEXURE TO THE DIRECTORS' REPORT

Particulars of employees under section 217 (2A) of the Companies Act, 1956.

Name	Designation	Total Salary	Qualification	Age (years)	Experience (Years)	Date of Commencement of employment	Last Employment held
D.B.Reddy	Managing Director	Rs. 148,000(**)	M.Com., M.B.A., CAIIB	47	23	2nd March, 1992	DGM, APIDC

** (for a period of 6 months)

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CHARTERED ACCOUNTANTS

100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000